

## REPORT

**FEDERAL CIRCUIT RULES PTAB TIME-BAR DETERMINATIONS  
FOR INTER PARTES REVIEWS ARE APPEALABLE****January 31, 2018**

On January 8, 2018, the Federal Circuit issued an *en banc* decision in *Wi-Fi One, LLC v. Broadcom Corp.*, Appeal Nos. 2015-1944, -1945, and -1946 (Fed. Cir. Jan. 8, 2018), holding that the Patent Trial and Appeal Board's ("Board") time-bar determinations under 35 U.S.C. § 315(b) are reviewable by the Federal Circuit. This *en banc* decision overrules a prior Federal Circuit panel decision in *Achates Reference Publishing, Inc. v. Apple Inc.*, 803 F.3d 652 (Fed. Cir. 2015), which held that a § 315(b) time-bar determination was final and nonappealable under § 314(d).

**I. Background**

This case involves two provisions of the Leahy-Smith America Invents Act ("AIA") governing inter partes review ("IPR") proceedings: § 314(d) and § 315(b). Under § 315(b), "[a]n 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." Under § 314(d), "[t]he determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable."

The Federal Circuit first discussed these two provisions in *Achates*, which held that § 314(d) precludes judicial review of the Board's determination of whether an IPR petition was

untimely under § 315(b). Subsequent to *Achates*, however, the Supreme Court issued its decision in *Cuozzo Speed Technologies, LLC v. Lee*, 579 U.S. \_\_\_\_ (2016).

In *Cuozzo*, a majority of the Supreme Court held that § 314(d) bars a challenge to the Board's decision to institute the IPR. Justice Alito, joined by Justice Sotomayor, wrote a dissenting opinion on this point arguing that the statute should properly be read as preventing only interlocutory appeals, but the majority rejected that interpretation holding that it bars interlocutory appeals, as well as later reviews as part of an appeal after the final IPR determination. However, recognizing the "strong presumption" favoring judicial review, the majority emphasized that their interpretation of § 314(d) "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." In stating its holding, the Court further tied the "closely related" language to the "reasonable likelihood" determination made under § 314(a). Thus, the Court left open the possibility of an appeal in cases that implicate constitutional questions or that present other questions of interpretation that go beyond the statutes related to the Patent Office's decision to initiate IPR.

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In the instant case, Broadcom filed a petition for IPR in 2013. In response, Wi-Fi argued that the Director lacked authority to institute the IPR under § 315(b) because Broadcom was in privity with defendants that were served with a complaint asserting infringement of the same patents in 2010, i.e., more than one year before the petition filing. Therefore, Wi-Fi argued that the IPR petition was time-barred under § 315(b). The Board denied Wi-Fi's request to take discovery related to the alleged privity, instituted the IPR on the challenged claims, and found the challenged claims unpatentable in a final written decision.

Wi-Fi appealed and the Federal Circuit panel rejected Wi-Fi's arguments, reasoning that *Achates* renders the § 315(b) time-bar rulings nonappealable, and affirmed the Board's decision. Wi-Fi petitioned for rehearing *en banc*, which was granted.

## II. Federal Circuit Decision

In a 9-4 majority decision, written by Judge Reyna,<sup>1</sup> the Federal Circuit held that the Director's time-bar determinations under § 315(b) are not exempt from judicial review, and overruled *Achates*'s contrary holding.

Like the Court in *Cuozzo*, the majority first recognized that there is a strong presumption favoring judicial review of agency actions that can only be overcome by a "clear and convincing" indication that Congress intended to prohibit review. However, the majority found that there was no clear and convincing indication in the statutory language, legislative history, or

the statutory scheme as a whole that demonstrates "Congress's intent to bar judicial review of § 315(b) time-bar determinations."

With respect to the statutory language, the majority emphasized that § 314(d) provides that "[t]he determination by the Director whether to institute an inter parties review *under this section* shall be final and nonappealable," and therefore a "natural reading of the statute limits the reach of § 314(d) to the Director's determination whether to institute IPR as set forth in § 314." The majority then examined § 314(a), which states:

(a) THRESHOLD.—The Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.

The majority indicated that § 314(a) is the "only subsection addressing substantive issues that are part of the Director's determination 'under this section[.]'" i.e., § 314. Specifically, the majority indicated that this subsection (i) identifies a threshold requirement for institution, and (ii) grants the Director discretion not to institute even when the threshold is met. Citing *Cuozzo*, the majority explained that § 314(a) governs a preliminary patentability determination, which is similar to discretionary decisions in other contexts that the Supreme Court has found to be unreviewable (e.g., a grand jury's determination of probable cause and a court's denial of summary judgment).

In contrast, the majority found that "§ 315(b) controls the Director's authority to institute IPR that is unrelated to the Director's

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<sup>1</sup> In the original panel decision, Judge Reyna agreed with the majority in affirming the Board's decision, i.e., that Wi-Fi had neither shown Broadcom to be in privity with the defendants nor a real party in interest. However, he wrote separately to convey his belief that a final decision concerning a § 315(b) time-bar determination should be subject to review.

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preliminary patentability assessment or the Director's discretion not to initiate an IPR even if the threshold 'reasonable likelihood' is present." The majority reasoned that "[w]hether a petitioner has complied with § 315(b) . . . has nothing to do with the patentability merits or discretion not to institute." Thus, because (i) a reasonable reading of § 314(d) limits its application to determinations made under § 314 and (ii) § 315(b) is unrelated to the Director's discretion not to institute and the preliminary patentability determinations, a § 315(b) time-bar determination does not fall within § 314(d)'s bar on judicial review in view of the statutory language.

The majority further reasoned that its reading of the relevant subsections is consistent with the overall statutory scheme in view of *Cuozzo* and what is "closely related" to the § 314(a) determination. The majority indicated that "several sections of the AIA, such as the preliminary procedural requirements stated in §§ 311-13, relate more closely to the determination by the Director." For example, the majority explained that the § 312(a)(3) requirements at issue in *Cuozzo* are closely tied to the Director's determination of a "reasonable likelihood" of unpatentability of at least one claim as it demands particularity as to "each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim." On the other hand, because § 315(b) does not have anything to do with the patentability merits or discretion not to institute, "the statutory scheme as a whole demonstrates that § 315 is not 'closely related' to the institution decision addressed in § 314(a), and it therefore is not subject to § 314(d)'s bar on judicial review."

In a concurring opinion, Judge O'Malley opined that the question in this case is "much simpler than the majority's analysis implies." In Judge O'Malley's opinion, the case was simply about "the distinction between the Director's

authority to exercise discretion when reviewing the adequacy of a petition to institute [IPR] and authority to undertake such a review *in the first place*." (Emphasis added). Judge O'Malley reasoned that if the Patent Office "exceeds its statutory authority" by instituting an IPR proceeding under circumstances contrary to the time limitations in § 315(b), the Federal Circuit must review such a decision "in order to give effect to the congressionally imposed statutory limitations on the PTO's authority to institute IPRs." Moreover, Judge O'Malley argued that this conclusion is not only consistent with, but "dictated by" *Cuozzo*: "Section 315(b)'s time bar falls squarely on the other side of *Cuozzo*'s appealability ledger, for it is not 'closely tied to the application and interpretation of statutes related to the [PTO]'s decision to initiate [IPR].'"

In a dissenting opinion written by Judge Hughes and joined by Judges Lourie, Bryson, and Dyk,<sup>2</sup> Judge Hughes argued that a petition's timeliness under § 315(b) should be barred from judicial review. The dissent disagreed with the reading of the statute adopted by the majority, which the dissent asserted contradicts the statutory language and is also contrary to the Supreme Court's construction of that language in *Cuozzo*. In this regard, the dissent disagreed that the phrase "under this section" in § 314(d) limits the bar on judicial review to the Director's assessment of the criteria under § 314. Instead, they argued that the phrase "under this section" simply refers to the fact that an IPR proceeding is instituted under § 314. Further, "*Cuozzo* confirms that § 314(d) is not limited to the merits of the petition, but also bars judicial review of closely related issues such as the petition's timeliness." To this point, the dissent asserted

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<sup>2</sup> Judges Bryson and Dyk were part of the panel that originally rejected Wi-Fi's arguments, finding that § 315(b) time-bar determinations were not reviewable consistent with *Achates*. Judge Lourie was part of the panel that decided *Achates*.

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that a "petition's timeliness under § 315(b) is part of the Board's institution decision," and accordingly "timeliness under § 315(b) is a question 'closely tied' to the Director's decision to institute."

### III. Effects of Decision

The majority was clear that its holding applies only to the appealability of § 315(b) time-bar determinations and that it was not deciding whether all disputes arising from §§ 311-14 are final and nonappealable. However, the majority's reasoning seems to imply that other decisions that do not require the technical expertise of the Patent Office, i.e., not directed to the patentability of the challenged claims, may also be appealable. Thus, unfavorable decisions related to, e.g., the applicability of the § 315(b) time bar on district court cases that are dismissed without prejudice or the applicability of the declaratory judgment time bar under § 315(a)(1), could also be subject to judicial review.

The Federal Circuit also did not address when the appeal of § 315(b) time-bar determinations can be filed. It appears that the only clear path to appeal, currently, is after the Board issues its final written decision that includes its unfavorable time-bar determination, much like the instant case. However, it remains

to be seen whether interlocutory appeals of decisions to institute an IPR where the § 315(b) time bar is an issue will be permitted. On the one hand, permitting interlocutory appeals will delay the one-year timeline for IPR decisions. On the other hand, reversing a final decision on patentability on a procedural ground is inefficient and potentially prejudicial to the parties.

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*Prepared by Bryan Hsu, associate in our Alexandria, Virginia office. Bryan is a member of our Biochemical/Chemical Group.*

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