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Drawing the Line: Appealability of Issues in PTAB Institution Decisions

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Congress created *inter partes* reviews (“IPRs”) to provide a cheaper, faster alternative to district court litigation to contest patent validity. A “No Appeal” bar is included in 35 U.S.C. § 314(d), which provides that the determination by the Patent Trial and Appeal Board (“Board”) whether to institute an IPR trial “shall be final and nonappealable.” The U.S. Supreme Court and the U.S. Court of Appeals for the Federal Circuit have heard numerous appeals testing the boundaries of the “No Appeal” bar.

This article reviews those decisions and attempts to harmonize them to identify and provide guidance on what issues in the Board’s institution

decision may or may not be appealable. As one may expect, the answer is nuanced.

The first step is to determine whether the Federal Circuit has jurisdiction to hear the appeal – that is, whether the issue on appeal is even appealable. If the issue is tied to or relates to the Board’s determination as to whether to institute review, then the issue is likely not appealable.

If not, the second step is to determine whether the issue relates to the Board’s statutory authority over how it conducts the instituted trial once it has determined to institute review in the first place, which is likely appealable. We address the current state of the law below.

U.S. SUPREME COURT GUIDANCE

The “No Appeal” bar question is, admittedly, prone to broad interpretation. This is why the U.S. Supreme Court has addressed the interpretation of the “No Appeal” bar three times in eight years.

Issues Closely Tied to the Board’s Authority to Institute Are Not Appealable

In *Cuozzo Speed Technologies, LLC v. Lee*,¹ the U.S. Supreme Court considered whether patent owner could appeal the Board’s decision to institute review of two claims on an obviousness ground that petitioner did not raise in its petition.

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There, petitioner challenged claim 17 by relying on a combination of three prior art references. Claims 10 and 14 were separately challenged based on different prior art from that asserted against claim 17. The Board instituted review for claims 10, 14, and 17 on the obviousness ground that petitioner presented only for claim 17. On appeal, patent owner challenged the Board's decision to institute IPR as to claims 10 and 14, arguing that the Board improperly created a ground that petitioner did not raise.²

The Court held that patent owner's challenge was "little more than a challenge to the Patent Office's conclusion under § 314(a) that the 'information presented in the petition' warranted review." Appeal of this conclusion was precluded by the "No Appeal" bar, which precludes appeal "where the grounds for attacking the decision to institute 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."³

The Court clarified, however, that the "No Appeal" bar does not preclude appeal of all issues addressed in an institution decision.

In particular, it does not "categorically preclude review of a final decision where a petition fails to give 'sufficient notice' such that there is a due process problem with the entire proceeding," or where the Board "act[s] outside its statutory limits by, for example, canceling a patent claim for 'indefiniteness' under § 112 in inter partes review." Constitutional infirmities or other "shenanigans," such as where the Board "act[s] outside its statutory limits," may be appealed.⁴

Four years later, in *Thryv v. Click-to-Call Technologies, LP*,⁵ the U.S. Supreme Court followed its reasoning in *Cuozzo* and held that patent owner cannot appeal the Board's time-bar determination under 35 U.S.C. § 315(b). The Board's "application of § 315(b)'s time limit . . . is closely related to its decision whether to institute an inter partes review and is therefore rendered nonappealable by § 314(d)." A Section 315(b) time-bar determination "is integral to, indeed a condition on, institution," and therefore is "closely tied to the application and interpretation of statutes related to' the institution decision." The Court reasoned that "a contention that a petition fails under § 315(b) is a contention that the agency should have refused 'to institute an inter partes review.'"⁶

Issues Relating to Whether the Board Exceeded its Statutory Authority Are Appealable

As previewed in *Cuozzo*, issues that relate to whether the Board acted outside of its statutory limits on institution are appealable.

Consistently, in *SAS Institute Inc. v. Iancu*,⁷ the U.S. Supreme Court held that the "No Appeal" bar does not preclude appeal of the Board's "partial institution" practice. Under the Board's prior "partial institution" practice, the Board regularly instituted IPR on less than all claims or grounds asserted in a petition.

In *SAS*, the Court held that 35 U.S.C. § 311(a) does not "contemplate a petition that asks the Director to initiate whatever kind of inter partes review he might choose." Rather, "[f]rom the outset, we see that Congress chose to structure a process in which it's the petitioner, not the Director, who gets to define the contours of the proceeding."⁸

In particular, "the statute envisions that a petitioner will seek an inter partes review of a particular kind – one guided by a petition describing 'each claim challenged' and 'the grounds on which the challenge to each claim is based.'" Section 314(b) states that "[t]he Director shall determine whether to institute an inter partes review . . . pursuant to a petition."

Thus, the Court explained that the Board "is given only the choice 'whether' to institute an inter partes review. That language indicates a binary choice – either institute review or don't."⁹

Taken together, in *Cuozzo* and *Thryv*, the Court held that the "No Appeal" bar precludes appeal of issues the Board decides in reaching its threshold determination of whether to institute an IPR.¹⁰

On the other hand, in *Cuozzo* and *SAS*, the Court held that the "No Appeal" bar does not prevent appeal of issues relating to how the Board conducts the trial, after it has already made the threshold determination to institute review.¹¹

FEDERAL CIRCUIT GUIDANCE

The Federal Circuit has applied the U.S. Supreme Court's guidance in *Cuozzo*, *SAS*, and *Thryv* to determine whether other issues raised in the Board's institution decisions may be appealed under the "No Appeal" bar of Section 314(d). The following discussion surveys Federal Circuit decisions, limited to those that remain "good law," to identify issues that may be, or may not be, appealable.

Issues Raised in Institution Decisions That Are Not Appealable

The Federal Circuit has held that the “No Appeal” bar precludes review of at least the following issues:

- The Board’s decision not to institute;
- The Board’s determination that the petition properly identified all real parties-in-interest (“RPIs”);
- The Board’s decision to terminate an instituted trial; and
- The Board’s determination of whether the patent is eligible for CBM review.

A Decision Not to Institute

A decision by the Board to not institute an IPR trial is a threshold determination and is therefore not appealable.¹² The Federal Circuit has explained that when the Board “decides not to institute, for whatever reason, there is no review.”¹³ This is consistent with the U.S. Supreme Court’s reasoning in *Cuozzo* and *Thryv*.

Real Party-in-Interest Determinations

The Board’s determination that the petition properly named all RPIs is not appealable under the “No Appeal” bar. Section 312(a) provides that a petition “may be considered only if” it meets a number of specified requirements, including identifying all RPIs.

In *ESIP Series 2, LLC v. Puzhen Life USA, LLC*,¹⁴ the Federal Circuit rejected patent owner’s argument that the Federal Circuit should review the Board’s determination that the petition identified all RPIs. Following the reasoning of *Cuozzo* and *Thryv*, the Federal Circuit stated that it could “find no principled reason why preclusion of judicial review under § 314(d) would not extend to a Board decision concerning the ‘real parties in interest’ requirement of § 312(a)(2).” Patent owner’s “contention that the Board failed to comply with § 312(a)(2) is ‘a contention that the agency should have refused to institute an inter partes review.’”

Consistent with *Thryv*, the Federal Circuit held that patent owner’s “challenge to the Board’s

[RPI] determination ‘raises an ordinary dispute about the application of an institution-related statute,’ and that § 314(d) precludes . . . review of that determination.”¹⁵

Board’s Decision to Vacate an Earlier Institution Decision

The Board’s decision to vacate an earlier institution decision is also not appealable under the “No Appeal” bar. In *BioDelivery Sciences International, Inc. v. Aquestive Therapeutics, Inc.*,¹⁶ the Federal Circuit applied *Cuozzo* and held that the Board’s decision to vacate an earlier institution decision is not appealable, even when the Board vacated the institution decision while the case was on remand to the Board from the Federal Circuit.

The Federal Circuit explained that “there is no requirement that once instituted, IPRs must proceed through final written decisions.” The Federal Circuit reasoned that “the Board’s vacatur of its institution decisions and termination of the proceedings constitute decisions whether to institute review and are therefore final and nonappealable” under Section 314(d).¹⁷

Whether the Challenged Patent Is Eligible for CBM Review

The America Invents Act created a transitional review procedure called Covered Business Method (“CBM”), which is only available for patents having claims that are directed to a financial service or product.¹⁸ A similar “No Appeal” bar restricts review of CBM review proceedings.¹⁹

In *SIPCO, LLC v. Emerson Elec. Co.*,²⁰ the Federal Circuit followed the U.S. Supreme Court’s reasoning in *Cuozzo* and *Thryv* and held that the “threshold determination that [the challenged] patent qualifies for CBM review is a decision that is non-appealable,” because “[t]he determination that a patent qualifies for CBM review is . . . expressly and exclusively tied to the decision to institute the proceeding.”

In *SIPCO*, patent owner argued that the Board exceeded its statutory authority in conducting a CBM review because the patent did not qualify as a CBM review-eligible patent. The Federal Circuit disagreed, holding that “it is nothing more than a contention that the agency should have refused to institute CBM review.”²¹

Issues Raised in Institution Decisions That Are Appealable

Following the reasoning in *Cuozzo* and *SAS*, the Federal Circuit has held that issues addressed in an institution decision are appealable when the issues relate to the Board's conduct of the trial *after* the Board has made the threshold determination to institute the proceedings.

Whether Same-Party Joinder Is Permissible

Under Section 315(c), the Board has discretion to join to an instituted proceeding "any person" that properly files a later petition that warrants institution. Same party joinder involves the situation where the same petitioner files a first petition and then seeks to join a later-filed petition to the earlier, oftentimes to raise new challenges that were not previously presented. The Board's Precedential Opinion Panel ("POP") resolved a split among panels of the Board and held, in *Proppant Express Investments, LLC v. Oren Technologies, LLC*, that the Board has discretion to permit same party joinder.²²

In *Facebook, Inc. v. Windy City Innovations*, however, the Federal Circuit disagreed with the POP's decision in *Proppant*, holding that the Board does not have statutory authority under Section 315(c) to permit same party joinder.²³ After the U.S. Supreme Court's decision in *Thryv*, the Federal Circuit reconsidered its decision, but reached the same conclusion: *Thryv* barred the Federal Circuit's review of whether Facebook's later-filed petition was timely,²⁴ but did not preclude the court from reviewing whether the Board had statutory authority to permit same party joinder.

A decision on same party joinder was related to how the Board conducts a proceeding after the Board had already made the threshold determination to institute review:

Windy City's appeal . . . is unlike the challenges raised in *Cuozzo* and *Thryv*, which specifically sought review of petitions that the Board had instituted and the decisions to institute those petitions, which therefore were barred by § 314(d). Instead, Windy City's appeal of the Board's joinder decisions is more like the reviewable challenge in *SAS*, which concerned whether the PTO had exceeded its statutory authority as to the manner in which the already-instituted IPR proceeded.²⁵

The Federal Circuit maintained its original holding that the Board exceeded its statutory authority by permitting same party joinder because "[t]he clear and unambiguous text of § 315(c) does not authorize same-party joinder, and does not authorize the joinder of new issues."²⁶

Whether the Board May Add New Grounds Not Presented in a Petition

In *Koninklijke Philips N.V. v. Google LLC*, the Federal Circuit held that Section 314(d) does not bar it from reviewing on appeal whether the Board properly raised new grounds in an instituted IPR that were not specifically presented in a petition.²⁷

In the underlying IPR, petitioner cited background prior art to illustrate that a feature was well known, but did not include that background art in its challenge. The Board, however, added the background art to the instituted ground.

On appeal, the Federal Circuit held that the Board is constrained by the challenges presented in the petition, and thus may not add its own new challenges. Relying on the reasoning in *SAS*, the Federal Circuit explained that petitioner, not the Board, "defines the contours of the proceeding."²⁸ The Federal Circuit held that "the Board does not 'enjoy[] a license to depart from the petition,' after it made the threshold determination to institute, and instead 'institute a different inter partes review of [its] own design.'²⁹

CONCLUSION

At present, the guidance from the U.S. Supreme Court and Federal Circuit indicates that issues addressed in the Board's institution decisions that are closely tied or related to the Board's authority or decision to institute are not appealable.

However, issues relating to how the Board conducts an IPR once it has made the threshold determination to institute may be appealable. Parties practicing before the Board should keep this distinction in mind when trying their cases, and preserve any plausible issues for possible appeal, where appropriate.

Notes

1. 136 S. Ct. 2131 (2016).
2. *Id.* at 2133-34, 2139.
3. *Id.* at 2133-34, 2141.
4. *Id.* at 2141-42.

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5. 140 S. Ct. 1367 (2020).
 6. *Id.* at 1370, 1373–74.
 7. 138 S. Ct. 1348 (2018).
 8. *Id.* at 1355.
 9. *Id.* at 1355–56.
 10. *Cuozzo*, 136 S. Ct. at 2141; *Thryv*, 140 S. Ct. at 1370.
 11. *Cuozzo*, 136 S. Ct. at 2141–42; *SAS*, 138 S. Ct. at 1355–56.
 12. *See St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 1376 (Fed. Cir. 2014).
 13. *St. Regis Mohawk Tribe v. Mylan Pharms. Inc.*, 896 F.3d 1322, 1327 (Fed. Cir. 2018); *see also In re Power Integrations, Inc.*, 899 F.3d 1316, 1321 (Fed. Cir. 2018) (“Nothing in section 314(d) suggests that the prohibition on review applies only to the merits of the Board’s non-institution decisions. . . .”).
 14. 958 F.3d 1378 (Fed. Cir. 2020).
 15. *Id.* at 1386.
 16. 935 F.3d 1362 (Fed. Cir. 2019).
 17. *Id.* (internal quotations omitted) (*citing Medtronic, Inc. v. Robert Bosch Healthcare Sys, Inc.*, 839 F.3d 1382, 1383 (Fed. Cir. 2016), and *GTNX, Inc. v. INTTRA, Inc.*, 789 F.3d 1309, 1313 (Fed. Cir. 2015)).
 18. AIA § 18(d)(1) (setting forth definition for a CBM patent). The period for filing CBMs expired on September 16, 2020.
 19. *See* 35 U.S.C. § 324(e).
 20. 2020 WL 6733482 (Fed. Cir. Nov. 17, 2020).
 21. *Id.* at *1, *3.
 22. IPR2018-00914, Paper 38 (PTAB March 13, 2019).
 23. 953 F.3d 1313, 1325–26 (Fed. Cir. 2020).
 24. 973 F.3d 1321, 1322 (Fed. Cir. 2020).
 25. *Id.* at 1332.
 26. *Id.* at 1333.
 27. 948 F.3d 1330, 1335–36 (Fed. Cir. 2020).
 28. *Id.* at 1335 (*citing SAS*, 138 S. Ct. at 1355).
 29. *Id.* at 1336 (*quoting SAS*, 138 S. Ct. at 1356).

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