Federal Circuit Flips ? Wi-Fi One v. Broadcom Holds That PTAB's Time-Bar Determinations Are Appealable

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PRACTICES Intellectual Property

On January 8, 2018, the U.S. Court of Appeals for the Federal Circuit issued its *en banc* decision in *Wi-Fi One, LLC v. Broadcom Corp.*, Appeal 2015-1944 (Fed. Cir. Jan. 8, 2018) (*en banc*) holding that Patent Trial and Appeal Board ("PTAB") time-bar determinations under 35 U.S.C. § 315(b) in an *inter partes* review ("IPR") proceeding are appealable. The *en banc* decision overrules a panel's earlier decision in *Achates Reference Publishing Inc. v. Apple Inc.* 803 F.3d, 652 (Fed. Cir. 2015), *cert. dismissed*, 136 S. Ct. 998 (2016). A procedural background and discussion of the implications of this ruling are set out below.

I. Procedural Posture of the Case

Broadcom petitioned the PTAB to institute IPRs challenging the validity of various claims of three patents owned and asserted by Wi-Fi One ("the Wi-Fi One patents"). In its preliminary response, Wi-Fi One argued that the IPR should not be instituted because Broadcom's petition was time-barred under 35 U.S.C. § 315(b). Specifically, Wi-Fi One asserted that, although the defendants in a district court litigation regarding the same patents were not petitioners in the IPR, the defendants were a real party-in-interest or a privy of petitioner Broadcom as to these patents and, thus, the one-year time bar under 35 U.S.C. § 315(b) for filing a petition applied. The PTAB disagreed and instituted the IPR proceedings. Wi-Fi One's motion requesting additional discovery to determine if any of the defendants were a real party-in-interest or a privy of Broadcom was denied by the PTAB, as was Wi-Fi One's request for a rehearing on the order denying discovery. A request for writ of mandamus filed by Wi-Fi One's predecessor-in-interest asking the Federal Circuit to compel that discovery was also denied. *In re Telefonaktiebolaget LM Ericsson*, 564 F. App'x 585 (Fed. Cir. 2014). Ultimately, the IPR proceedings concluded with a determination that the challenged claims of the Wi-Fi One patents were unpatentable. A request for rehearing was denied, and Wi-Fi One appealed the PTAB's final ruling to the Federal Circuit.

On appeal, Wi-Fi One again argued, *inter alia*, that the district court defendants were a real party-in-interest or a privy of Broadcom as to the patents subject to the IPR proceedings and, therefore, Broadcom's petition was untimely under 35 U.S.C. § 315(b). A panel of the Federal Circuit declined to review the PTAB's decision to institute the IPR, citing the Court's earlier decision in *Achates*. The panel held that a PTAB decision to institute an IPR proceeding, which involves an assessment by the PTAB as to whether or not the time bar of 35 U.S.C. § 315(b) has been met, is not reviewable because such review is precluded under 35 U.S.C. § 314(d).

Wi-Fi One petitioned the Federal Circuit for rehearing *en banc*, and the petition was granted on January 4, 2017. *Wi-Fi One, LLC v. Broadcom Corp.*, 851 F.3d 1241 (Fed. Cir. 2017). The Court requested supplemental briefs limited to the question of whether the Court should overrule *Achates*. *Id*. Oral arguments were heard on May 4, 2017.

II. The Opinion

The majority opinion, written by Judge Reyna, held that time bar determinations under 35 U.S.C. § 315(b)[1] are appealable. In overruling *Achates* and holding that 35 U.S.C. § 314(d)[2] does not bar judicial review of a time-bar determination under 35 U.S.C. § 315(b), the majority relied on "the strong presumption favoring judicial review of administrative actions" and a finding of "no clear and convincing" indication of congressional intent to prohibit review. *Wi-Fi One*, Appeal 2015-1944, slip op. at 14-15 (internal quotations omitted). In reaching this conclusion, the majority reviewed both the statutory language and the statutory scheme.

The majority first held that "the natural reading of the statute limits the reach of § 314(d) to the determination by the Director whether to institute IPR as set forth in § 314." *Id*. at 15. The majority found that 35 U.S.C. § 314(a),"the only subsection addressing substantive issues that are part of the Director's determination under this section," does only two things: (a) identifies the threshold requirements for institution and (b) grants the Director discretion not to institute even when the threshold is met. The majority clarified that 35 U.S.C. § 314(a) "does not address any other issue relevant to an institution determination." *Id*. at 16. Thus, the majority concluded that 35 U.S.C. § 314(d) limited unreviewability to the Director's preliminary patentability assessment or the Director's discretion not to initiate an IPR even if the threshold is met.

The majority then held that time-bar determinations under 35 U.S.C. § 315(b) are reviewable because "§ 315(b) controls the Director's authority to institute IPR that is unrelated to the Director's preliminary patentability assessment or the Director's discretion not to initiate an IPR even if the threshold reasonable likelihood is present." *Id*. at 17 (internal quotations omitted).

The majority found such a reading to be consistent with the statutory scheme "as understood through the lens of" the Supreme Court's decision in *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131 (2016), which, according to the majority, "strongly points toward unreviewability being limited to the Director's determinations closely related to the preliminary patentability determination or the exercise of discretion not to institute," such as the procedural requirements of §§ 311-13. *Id*. at 18. The majority went on to further state that the time-bar "limit[s] the agency's authority to act under the IPR scheme," and that "[t]he timely filing of a petition under § 315(b) is a condition precedent to the Director's authority to act." *Id*. at 19.

The majority concluded by stating that "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." *Id*. at 20 (internal quotations omitted).

Judge O'Malley's concurrence "turn[ed] on the distinction between the Director's authority to exercise discretion when reviewing the adequacy of a petition to institute an inter partes review ("IPR") and authority to undertake such a review in the first instance." Concurring opinion at 3. Judge O'Malley stated: "Section 314(d)'s bar on appellate review is directed to the Director's assessment of the substantive adequacy of a timely filed petition. Because § 315(b)'s time bar has nothing to do with the substantive adequacy of the petition and is directed, instead, to the Director's authority to act, § 314(d) does not apply to decisions under that provision." *Id*. at 4. According to Judge O'Malley, a determination under 35 U.S.C. § 315(b) is reviewable because it is directed to a procedural right that prevents an agency from acting outside its statutory limits -"one of the categories of 'shenanigans' envisioned by the majority in *Cuozzo*"- and is "entirely unrelated to the agency's 'core statutory function' of determining whether claims are or are not patentable." *Id*. at 7.

Judge Hughes, joined by Judges Lourie, Bryson, and Dyk, dissented. The dissent argued that the plain language of 35 U.S.C. § 314(d) bars judicial review of the Director's decision to institute and that *Cuozzo* confirmed such an interpretation.

III. Implications

The Federal Circuit's decision narrowly interprets 35 U.S.C. § 314(d)'s restriction on appealing a decision to institute an IPR as being limited to substantive determinations under 35 U.S.C. § 314(a) and those closely related to 35 U.S.C. § 314(a), *i.e.*, determinations closely related to the preliminary patentability determination or the exercise of discretion not to institute. By narrowly interpreting 35 U.S.C. § 314(d), it appears that the Federal Circuit has limited the "non-appealable" restriction of 35 U.S.C. § 314(d) to PTAB determinations that require the particular expertise of the Patent Office, *i.e.*, determinations regarding the patentability of claims. Thus, it seems likely that in the future there will be additional appeals challenging PTAB determinations to institute, or even not institute, an IPR based on tangential issues that are a "condition precedent" to the PTO's authority to act, or that are otherwise outside the substantive determinations related to the preliminary patentability determination of whether to institute a post-issuance review proceeding.[3] For example, a PTAB decision that a dismissal without prejudice under Federal Rule of Civil Procedure 41(a) voids a 35 U.S.C. §315(b) time bar, decisions applying the declaratory judgment bar under 35 U.S.C. § 315(a)(1), the petitioner estoppel provision under 35 U.S.C. § 315(e)(1), and that a petition filed after a 35 U.S.C. § 315(b) bar date but filed with a motion for joinder to an earlier filed petition voids the time bar, could be subject to appellate review. The decision arguably also raises the question of whether a determination under 35 U.S.C. § 325(d) can be appealed.

Furthermore, although the Court's decision permits appeal of at least some decisions to institute an IPR, it did not address when the appeal can be filed. If interlocutory appeals are permitted, it would delay the statutory mandate that IPR decisions be made within one year of institution. On the other hand, if a final, written decision in the IPR must be in hand before appealing, this could leave a cloud hanging over a patent with claims determined to be invalid by the PTAB while the appellate court could decide the institution was improper in the first place.

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[1] 35 U.S.C. § 315(b) states: "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. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c)."

[2] 35 U.S.C. § 314(d) states: "The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable."

[3] We note that the decision in *Wi-Fi One* was limited to appealing a decision to institute. The decision did not specifically address whether a determination to *not* institute is appealable.