No.

In the Supreme Court of the United States

ZOLL LIFECOR CORPORATION,

Petitioner,

v.

PHILIPS ELECTRONICS NORTH AMERICA CORPORATION AND KONINKLIJKE PHILIPS ELECTRONICS N.V.,

Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

JOHN A. DRAGSETH
Counsel of Record
Fish & Richardson P.C.
60 South 6th Street – Suite 3200
Minneapolis, MN 55402
(612) 335-5070
dragseth@fr.com

KURT L. GLITZENSTEIN
Fish & Richardson P.C.
One Marina Park Drive
Boston, MA 02210
(617) 542-5070
glitzenstein@fr.com

Counsel for Petitioner

QUESTION PRESENTED

Sections 312, 314, and 315 of Title 35 each identify separate requirements for instituting an administrative *inter partes* review (IPR) proceeding to invalidate a patent that the U.S. Patent & Trademark Office (USPTO) erroneously issued. The only one of these three sections that limits an IPR petitioner's right to appeal is Section 314, and it is limited on its face to decisions "under this section." A general right to appeal is provided by 28 U.S.C. § 1295(a)(4)(A), which grants the Federal Circuit "exclusive jurisdiction … of an appeal from a decision of – the Patent Trial and Appeal Board [PTAB] of the [USPTO] with respect to a[n] … *inter partes* review under Title 35." Despite this statutory structure and plain statutory language, the Federal Circuit has repeatedly refused to review dismissals of IPR proceedings made under Sections 312 and 315 (which are not the sections under which Congress said there could be no appeal). The Federal Circuit's holdings leave IPR petitioners dismissed under these sections with no appellate review, and give the USPTO essentially unfettered discretion to dispose of petitions alleging that the agency erred in granting a patent.

The question presented is:

Whether the Federal Circuit has erred in blocking all appellate review of USPTO decisions made under 35 U.S.C. §§ 312 and 315, when the only limit in the statute is in Section 314, which is expressly limited to decisions made "under this section"—thus giving the USPTO complete and unreviewable authority under these two sections to reject assertions that the agency previously erred in granting patents.

RULE 29.6 STATEMENT

Petitioner ZOLL Lifecor Corporation is a wholly-owned subsidiary of ZOLL Medical Corporation. The parent companies and publicly held companies that own 10 percent or more of the stock of ZOLL Lifecor Corporation are ZOLL Medical Corporation, Asahi Kasei Kabushiki Kaisha, and Asahi Kasai US Holdings, Inc.

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OPINIONS BELOW

The opinion of the court of appeals (App., *infra*, 1a-5a) is reported at 577 Fed. Appx. 991. The opinions of the Patent Trial and Appeals Board (e.g., App., *infra*, 6a-24a) are not reported, but are available at 2014 WL 1253100, 2014 WL 1253105, 2014 WL 1253109, 2014 WL 1253122, 2014 WL 1253126, 2014 WL 1253136, 2014 WL 1253139, and 2014 WL 1253143.

JURISDICTION

The court of appeals issued its judgment on August 25, 2014. This Court's jurisdiction is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

35 U.S.C. § 312 provides in pertinent part:

> (a) REQUIREMENTS OF PETITION. —A petition [for *inter partes* review] filed under section 311 may be considered only if—
>
> . . .
>
> (2) the petition identifies all real parties in interest; . . .

35 U.S.C. § 314 provides in relevant part:

> (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.

. . .

(d) No Appeal.— The determination by the Director whether to institute an *inter partes* review under this section shall be final and nonappealable.

35 U.S.C. § 315 provides in relevant part:

. . .

(b) Patent Owner's Action.— 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).

28 U.S.C. § 1295 provides in relevant part:

(a) The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction—

. . .

(4) of an appeal from a decision of—

(A) the Patent Trial and Appeal Board of the United States Patent and Trademark Office with respect to … *inter partes* review under title 35, at the instance of a party who exercised that party's right to participate in the

> applicable proceeding before or appeal to the Board … .

STATEMENT

Cases in which agency actions are immune from appellate review are rare. Cases that block appellate review despite the absence of any jurisdiction-depriving statutory language are rarer still. In the Federal Circuit's view, this is one such case.

Congress passed the Leahy-Smith America Invents Act of 2011 to usher in much-needed patent reforms that addressed a widely-held understanding that bad patents were being issued and enforced, to the detriment of U.S. innovation and the economy. A centerpiece of the Act was the creation of new *inter partes* review (IPR) proceedings, by which members of the public could challenge wrongly-issued patents and have them eliminated much more quickly and inexpensively than with notoriously expensive and time-consuming patent litigation. IPR proceedings also bore the promise of a review by technically-educated members of the Patent Trial and Appeal Board (PTAB). IPRs have been warmly received—almost two thousand were filed in the two years since they began—and they have provided a wonderful mechanism by which the public can help the USPTO correct errors it made in issuing invalid patents.

Congress placed three sets of requirements for an IPR filing, in three separate statutory sections. The USPTO Director has tasked members of the PTAB with policing those requirements. Two of the requirements—in 35 U.S.C. §§ 312 and 315—are

purely legal. Section 312 requires naming of the real party in interest for a petition, which is relevant because certain estoppels attach to parties that bring successful IPR actions. Section 315 bars the bringing of an IPR by anyone who was sued for infringing the relevant patent more than a year prior, or who is in privity with such a party. The third requirement—in Section 314—is essentially technological—*i.e.*, it asks whether the petitioner has established a reasonable likelihood that the claims are invalid in view of the prior art references identified in the petition. Such a determination requires understanding and interpretation of the technical teachings of the prior art to determine whether they match the inventions in the patent claims or whether the patent claims recite mere obvious variations over the prior art. Both of these issues must be viewed from the perspective of a "person having an ordinary level of skill in the art" when the invention was made, so experience in the relevant technology is important for a PTAB member.

It is understandable, then, that Congress made the technological Section 314 determination unreviewable by appeal, because IPRs are supposed to be fast and efficient, and members of the PTAB are generally technically-educated patent attorneys with great expertise and experience in making such determinations. It is equally understandable that Congress placed that limit only in Section 314 and expressly limited it to Section 314, and did not likewise limit appellate review of the purely legal issues under Sections 312 and 315, where the PTAB members lack expertise or experience.

Despite the clear statutory text, the Federal Circuit has ruled that no PTAB decision that refuses to institute an IPR may be appealed on any basis—whether under Section 314, or whether under the other two sections even though Congress imposed no limit on appeal for them. That novel rule is contrary to the strong presumption in favor of appellate review of agency actions, and is contrary to the plain statutory language (especially the unambiguous limitation of appeals to decisions made under "this section [*i.e.*, Section 314]". It is also contrary to the strong policy and express goal of facilitating the invalidation of wrongly-issued patents, and poses a dangerous situation of allowing the agency that a petitioner is asserting made a mistake in granting a patent the complete and unfettered discretion to avoid confronting that mistake. This Court should correct the Federal Circuit's unsound, innovation-threatening interpretation of the statute.

A. The America Invents Act—Patent Reform to Reduce Abusive Assertion Practices

This appeal involves statutory construction and administrative law issues under the Leahy-Smith America Invents Act of 2011 (AIA). The AIA was the first comprehensive patent legislation since the Patent Act of 1952,[1] and arguably the most substan-

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[1] *See* Press Release, The White House, President Obama Signs America Invents Act, *Overhauling the Patent System to Stimulate Economic Growth, and Announces New Steps to Help Entrepreneurs Create Jobs* (Sept. 16, 2011), *available at* http://www.whitehouse.gov/the-press-office/2011/09/16/president-obama-signs-america-invents-act-overhauling-patent-system-stim

tial change since the Patent Act of 1836.[2] The AIA was motivated largely by a widely-held belief that the USPTO was issuing patents that never should have been issued, and those patents were being asserted in litigation to the great detriment of innovation and the U.S. economy.[3]

This appeal springs from eight IPR petitions filed under the AIA. IPRs were a centerpiece undertaking of the AIA and provide a new and powerful way for the public to challenge the validity of questionable patents. IPR petitions are typically filed by parties that have been sued or threatened with suit. The proceedings give such parties an opportunity to identify "prior art" that establishes a "reasonable likelihood of success" for rendering the claims invalid under 35 U.S.C. §§ 102 and 103, which declare that no patent claim can issue that is, respectively, the same as, or obvious in view of, the prior art. *See KSR Int'l Co. v. Teleflex Inc.*, 500 U.S. 398 (2007) (eliminating the Federal Circuit's elevated "teaching/suggestion/motivation" requirement for rendering claims invalid for obviousness). Generally, an IPR petitioner identifies prior art that the USPTO

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[2] Stephen M Hankins & D. Christopher Ohly, *The America Invents Act: An Overview*, The Recorder (Oct. 4, 2011), *available at* http://www/law/com/lawtechnologynews/PubArticleLTN.jsp?id=1202517720138&slreturn=1.

[3] *See, e.g.,* Rich Stevens, *On the Anniversary of the AIA, What is the Status of the PTAB (Part 1)*, INSIDE COUNSEL (Sept. 15, 2014), available at http://www.insidecounsel.com/2014/09/15/on-the-anniversary-of-the-aia-what-is-the-status-o.

examiner missed or misunderstood in issuing the patent.

IPR proceedings bring real advantages over older *inter partes* reexamination (IPRx) proceedings, which the AIA eliminated. Most important, perhaps, is that IPRs are addressed by a three-member PTAB, which is to complete them within twelve months from institution, absent good cause or the joinder of multiple proceedings. *See* 35 U.S.C. § 316(a)(11). In contrast, IPRx proceedings were handled much like normal prosecution (though putatively on an expedited basis), with rounds of examination before an appeal to a three-member board could occur, in all taking several years. See, e.g., Manual of Patent Examining Procedure 2609, *available at* http://www.uspto.gov/web/offices/pac/mpep/s2609.html. The difference can be critical to a defendant that has been sued, because the Federal Circuit has held that if a PTO proceeding invalidating patent claims becomes final while a parallel litigation is still pending, the litigation and any monetary award in it are vacated.[4] Understandably, then, the IPR provisions were perhaps the least controversial of the AIA provisions. The statute took many years to pass because of other provisions, yet the one meaningful debate about the IPR provisions had to do with the relatively minor issue of the time during which a petitioner can bring an IPR proceeding.[5]

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[4] *See ePlus, Inc. v. Lawson Software*, Inc., 760 F.3d 1350 (Fed. Cir. 2014); *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1344 (Fed. Cir. 2013).

[5] See Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 FED. CIRC. BAR J. 539, 600-04 (June 2012).

The resulting enormous popularity of IPR proceedings show the great public need for them—despite their costing a petitioner more than triple in USPTO fees than did IPRx proceedings. While only 53 requests for IPRx were filed in the first five years of that proceedings' existence, almost 2000 IPR petitions were filed in just the first two years.[6] These proceedings help unclog the courts of needless patent litigation, and they save private parties enormous amounts in needless attorney fees, with a typical patent litigation costing $3,000,000 per patent and more, and IPRs costing a small fraction of that.[7] In short, IPRs were badly needed, and have been strongly embraced.

B. The Statutory Basis for IPR Gatekeeping and Appeals

IPRs are governed by 35 U.S.C. § 311 et seq. Section 311 indicates that any person that does not own the relevant patent can petition for an IPR, but that the grounds for petition are limited to assertions of invalidity under 35 U.S.C. § 102 and 103. Those sections state that a patent claim cannot issue if it is no different than what is shown in the prior art

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[6] *See* Matal, 21 FED. CIRC. BAR J., at 599; AIA Progress Statistics – Graphical View and Subsets (U.S. Patent & Trademark Office), at 1, *available at* http://www.uspto.gov/ip/boards/bpai/stats/aia_trial_statistics.jsp.

[7] See American Intellectual Property Law Association, 2013 Report of the Economic Survey, *available at* http://www.patentinsurance.com/custdocs/2013aipla%20survey.pdf.

(Section 102) or it would have been obvious over the prior art (Section 103).[8]

Three separate sections of the statute define three inquiries the PTAB must make before instituting an IPR. Two are purely legal questions, and one is mainly technological. The purely legal points are in Sections 312 and 315. Section 312 notes that a petition must identify all real parties in interest:

> (a) REQUIREMENTS OF PETITION. —A petition filed under section 311 may be considered only if—
>
> …
>
> (2) the petition identifies all real parties in interest;

Section 315 prevents institution of an IPR if the petition was filed more than a year after service of an infringement complaint on the petitioner, a real party in interest, or a privy—so as to limit the window of time in which a patent can be attacked:

> (b) Patent Owner's Action.— 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.

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[8] While these sections apply to a wide variety of prior art, IPR petitions can be based only on prior patents and printed publications—largely because other forms of prior art (*e.g.*, prior public knowledge or prior offers for sale of a product) involve inquiries the USPTO is not well-equipped to make, particularly in the limited 12-month window it has available.

In contrast to these two purely legal issues, Section 314 considers whether the petitioner's presentation of prior art against the particular patent claims makes out a "reasonable likelihood" of prevailing:

> (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 Section 314 determination, and only that determination, is expressly stated in the statute to be "final and nonappealable":

> (d) No Appeal.— The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.

Critically, this provision does not say that ***all*** determinations not to institute an IPR are final and nonappealable, but only determinations "under [Section 314]."

Several other provisions explicitly address where appeal may be had. Title 28 contains the relevant jurisdiction-granting provision, and vests the Federal Circuit with jurisdiction over any final IPR decisions, without any limitations:

28 U.S.C. § 1295 provides in relevant part:

> (a) The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction—
>
> . . .
>
> (4) of an appeal from a decision of—
>
> (A) the Patent Trial and Appeal Board of the United States Patent and Trademark Office with respect to … *inter partes* review under title 35, at the instance of a party who exercised that party's right to participate in the applicable proceeding before or appeal to the Board . . .

Provisions in Title 35 address particular procedures for taking an appeal from a final IPR that was instituted by the PTAB. Specifically, Section 318 states that the PTAB "shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added," and Section 319 states that a "party dissatisfied with the final written decision … may appeal." The appeal occurs under Sections 141 to 144, which set procedures for the appeal.

The statute is silent as to appealability of PTAB decisions made under Sections 312 or 315 to not institute an IPR—it does not say that such appeals may be had. Nor does not say that appeals may not be had.

C. The Present IPR Proceedings and Appeal

1. The IPR Proceedings—A Faulty Focus on "Control" as a Legal Standard

This case began when ZOLL Lifecor filed eight IPR petitions in response to being sued by the

Philips entities. ZOLL Lifecor accompanied the petitions with a payment to the USPTO of $193,800 in fees. The petitions corresponded to eight patents on external defibrillator technology, as to which Philips had sued ZOLL Lifecor less than a year earlier. ZOLL Lifecor manufactures a life-saving product known as the LifeVest, which patients can wear as a vest under their clothing and that will automatically defibrillate them if they enter cardiac arrest.

Philips replied by arguing that the claims were valid, that five of the petitions were blocked by Section 315 because ZOLL Lifecor's corporate parent had been sued on them more than a year earlier (and that ZOLL Lifecor was in privity with the parent), and all were blocked by Section 312 because the parent was the real party in interest by dint of that relationship. ZOLL Lifecor responded, first, that Philips improperly posited corporate "control" as the legal standard, rather than one of many factors used in patent cases to determine whether collateral estoppel will apply, since the PTAB's own "Office Patent Trial Practice Guide" states that it "will apply traditional common-law principles" for estoppel in determining privity and real party in interest.

ZOLL Lifecor next responded that Philips did not even establish "control" as a factor. But that presentation was hobbled because the PTAB explicitly prohibited ZOLL Lifecor from providing testimonial evidence. (App., *infra*, 25a-27a)

The PTAB dismissed all eight petitions. (E.g., App., *infra*, 6a-24a) It never reached the technological issue of whether the claims were shown to be likely invalid, because it dismissed all eight petitions

on the purely legal grounds under Sections 312 and 315. Its eight opinions on these points (which shared most of the same essential content) showed confusion on the core legal points. First, the PTAB appeared not to understand the difference between a "standard" and a "factor"—where ZOLL Lifecor had criticized Philips for treating "control" as a standard rather than a factor. The PTAB's confusion, and its conflation of the two distinct concepts is reflected in the following statement at the center of its rejection of ZOLL Lifecor's argument:

> [ZOLL Lifecor] argued, unpersuasively, that control is not the legal standard …. We disagree that control is not a factor to consider.

(App., *infra*, 18a) The Board then centered its analysis around "control," treating it as a standard rather than a factor, contrary to its own rules say it should do otherwise. (App., *infra*, 16a-17a) ("[W]e are persuaded … that [the parent] is a real party-in-interest for purposes of 35 U.S.C. § 315(b) ***because it 'has the actual measure of control or opportunity to control*** that might reasonably be expected between two formal coparties." (emphasis added))).

An additional, and troubling, problem with the PTAB's opinion is how it handled its order excluding ZOLL Lifecor from introducing declarations or other testimonial evidence. In particular, despite the original order clearly prohibiting such evidence, the PTAB in its final decision suggested that it had not actually done so:

> We note that [our] authorization to file a brief on the issue of privity and real party-

> in-interest gave [ZOLL Lifecor] discretion to file all evidence supporting [ZOLL Lifecor's] arguments. [ZOLL Lifecor] did not request authorization to file testimony and such request was not precluded.

(App., *infra*, 12a n.1) If one were to attempt to harmonize this statement with the Board's early prohibition, one would be left with: "Although we prohibited you from submitting testimony, we never said you couldn't ask to submit testimony. You should have asked to do the very thing we just prohibited you from doing."[9]

2. The Appeal—Reliance on a Perceived Purpose to the Statute to the Exclusion of Statutory Text

ZOLL Lifecor appealed the orders, asserting jurisdiction on two separate bases: (a) 28 U.S.C. § 1295 in combination with 35 U.S.C. § 314; and (b) 28 U.S.C. § 1295 in combination with 35 U.S.C. § 312 and 315. ZOLL Lifecor indicated that it understood the former route was blocked by the decision in *St. Jude Medical, Cardiology Division, Inc. v. Volcano Corp.*, 749 F.3d 1373 (Fed. Cir. 2014), but maintained its right to challenge that decision at the appropriate time. It argued that the latter route was distinguishable from the holding in *St. Jude*.

After the Federal Circuit consolidated the appeals, Philips moved for dismissal, arguing that *St. Jude* was binding, because the PTAB had dismissed St. Jude's IPR petitions for being filed

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[9] ZOLL Lifecor also requested and received a return of a portion of its fees. The USPTO kept $80,000 of the fees. (App., *infra*, 68a)

after the one-year statutory period of Section 315. (App., *infra*, 70a-79a) ZOLL Lifecor responded by noting that the *St. Jude* Federal Circuit panel treated that case under Section 314, and did not address jurisdiction under Sections 312 or 315. (App., *infra*, 62a-64) The Federal Circuit agreed with Philips in a brief order. (App., *infra*, 1a-5a)

Because the *St. Jude* decision drove the result here, its reasoning is centrally relevant. In *St. Jude*, the Federal Circuit led off by reasoning that IPR appeals may "only" be taken under Section 318(a), but adding that limiting term itself, where the term is not in the Section 319, which the Federal Circuit quoted:

> Chapter 31 authorizes appeals to this court ***only*** from "the final written decision of the [Board] under section 318(a)." [35 U.S.C.] § 319.

St. Jude, 749 F.3d at 1375 (emphasis added). The court added the same amendment in its characterization of Section 141(c):

> Likewise, section 141(c) in relevant part authorizes appeal ***only*** by "a party to an *inter partes* review … who is dissatisfied with the final written decision of the [Board] under Section 318(a).

Id. (emphasis added). The rest of the opinion followed from that premise—*i.e.*, because St. Jude was making a challenge of a decision under Section 314(a) & (b) that was "not a 'final written decision' of the Board under section 318(a), and the statutory provisions addressing *inter partes* review contain no authorization to appeal a non-institution decision to this court," St. Jude could not appeal, in the court's

view. The court considered the statute not to be silent on the issue of appealability because, "[u]nder the title 'No Appeal,' Section 314(d) declares that '[t]he determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable." But the court simply appears to have assumed that St. Jude's appeal was under Section 314, as the Court did not address appeals taken off PTAB decisions based on Sections 312 and 315.

As for the clear grant of jurisdiction in 28 U.S.C. § 1295 that contains no limitations, the *St. Jude* panel reasoned: "That provision 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 proceeding that the Director has 'instituted.'" *Id.* at 1376. The panel did not explain why it thought that was the "most natural read" of a statute that on its face includes no such specificity.

In the present case, ZOLL Lifecor added to the issues addressed in *St. Jude* the point that there is a "strong presumption" in favor of appellate review of agency action, and thus silence in the statute should lead to a conclusion that there is review. (App., *infra*, 52a.) The Federal Circuit did not address the point. ZOLL Lifecor also emphasized that the "under this section" limitation in Section 314 would be meaningless if Section 318 were implicitly read to block appealability under all other sections. The Federal Circuit did not address this point either. Rather, it stated that the *St. Jude* decision was binding, leading to this petition.

REASONS FOR GRANTING THE PETITION

The Federal Circuit has imposed an across-the-board limit on appellate review of agency action, in a manner that is contrary to the statutory text, to relevant administrative law and statutory construction law, and to good logic. Specifically, in the statutory text, the absence of any limit on appealability for PTAB decisions made under Sections 312 and 315, coupled with the express and precisely constrained limitation on appealability for decisions made under Section 314, could not make a clearer case for finding appellate review to be available here. Moreover, Section 1295 of title 28 gives the Federal Circuit jurisdiction over IPR decisions, and does not carve out particular types of decisions. Administrative law likewise imposes a "strong presumption" that favors appellate review, a point of law that the Federal Circuit ignored.

The decision is also illogical because it creates a bar to appellate review on a legal issue as to which the PTAB has no special expertise (thus warranting review), where Congress only chose to bar review on technological decisions on which the PTAB is presumed to have expertise. Moreover, the natural extension of the rule to other cases even more clearly shows the error in the court's rule.

The question presented is important and deserves this Court's review. The Federal Circuit's misguided new rule, unless corrected before it takes root, will have harsh real-world consequences. IPR proceedings were put in place because of the crushing load that traditional patent litigation places on defendants—in terms of monetary costs, time consumed in discovery, and time required to obtain a resolution

and have certainty for one's business. The Federal Circuit's ruling leaves unsuccessful petitioners with no appellate recourse, putting them at the complete mercy of the agency whose initial error the petitioner has pointed out and is trying to correct. A thousand IPR petitions are being filed every year, and petitioners deserve both clarity on this issue, and the right to have their complaints on these legal issues heard by an appellate court.

I. The Federal Circuit's Novel Rule Barring Appellate Review Conflicts With The Patent Act, This Court's Guidance, And Good Logic

A. Both The Statute And This Court's Decisions Preclude The Rigid New Requirement The Federal Circuit Has Adopted

This Court has long recognized a "strong presumption" in favor of appellate review of agency action, and thus Philips has the burden from the beginning to present "clear and convincing evidence" of Congressional intent to block appellate review of Section 312 and 315 determinations. *E.g., Bowen v. Mich. Acad. Of Family Physicians*, 476 U.S. 667, 670 (1986). Thus, in the face of Congressional silence on appellate review, the rule is that review is available. The Federal Circuit's first error was in wholly failing to address this fundamental rule of agency law despite ZOLL Lifecor having raised the point, and then using statutory silence to conclude that the "only" route to appeal in IPRs was the route expressly set forth in Section 318 of Title 35.

The Federal Circuit also erred it its statutory interpretation of 28 U.S.C. § 1295(a)(4)(A). That section is pre-eminent here because it is directed

specifically to the Federal Circuit's jurisdiction, the precise issue in this appeal. And importantly, its text is broad and clear—it gives the Federal Circuit "exclusive jurisdiction … of an appeal from a decision of … the [PTAB] with respect to … *inter partes* review under title 35, at the instance of a party who exercised that party's right to participate in the applicable proceeding before or appeal to the Board." It cannot be denied that the text Congress chose is broad and covers the present appeal from an *inter partes* review under title 35. The Federal Circuit does not appear to have interpreted the language of this section, as opposed to simply reaching a conclusion that the "provision is most naturally read to refer precisely to the Board's decision under section 318(a)." Though the ultimate rationale for that conclusion is murky, it clearly was not based on the text of the provision.

Which leads to the patent statute—title 35. With both the "strong presumption" in favor of appellate review and the undeniably broad grant of jurisdiction in Section 1295, Congress would have had to be clear as a bell in title 35 if it wanted to block appellate review. And Congress was clear in one, and only one, location: Section 314, and the lack of appealability of the decision whether the petitioner has a "reasonable likelihood of success" of invalidating the claims over the submitted prior art. Congress was explicit in limiting the prohibition on appeal in that section to determinations "under this section." Determinations under 312 and 315 relating to privity and real party in interest include no such limitation.

The Federal Circuit's ruling blocks appeals of determinations by the Director not to institute an IPR made under ***any*** section, effectively rewriting Section 314(d) as follows:

> (d) No Appeal.— The determination by the Director whether to institute an inter partes review ~~under this section~~ shall be final and nonappealable.

If that were true, Congress would simply have said that decisions whether to institute an IPR are final and unappealable, period. *See TRW Inc. v. Andrews*, 534 U.S. 19, 31 (2001) ("It is a cardinal principle of statutory construction that a statute ought, upon the whole, to be so construed that, if it can be prevented, no clause, sentence, or word shall be superfluous, void, or insignificant.").

Indeed, this Court has emphasized how such distinctions made between adjacent statutory provisions strongly show Congressional intent. *Russello v. United States*, 464 U.S. 16, 23 (1983) ("[Where] Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion. Had Congress intended to restrict § 1963(a)(1) to an interest in an enterprise, ***it presumably would have done so expressly as it did in the immediately following subsection*** (a)(2)." (emphasis added)).

The Federal Circuit's conclusion was ultimately based, not on the relevant statutory language, but on that court's view that Congress' purpose was to provide appeal "only" from decisions at the end of an IPR, but not decisions whether to institute an IPR,

because the statute provides special rules for appeals at the end of an IPR but no such special rules for appeal at institution. [cite] The main problem with that approach is that it elevates Congressional silence on the institution of appeals under Sections 312 and 315 to a prohibition that trumps: (a) the "strong presumption" in favor of appellate review (a point not acknowledged by the Federal Circuit); (b) the broad grant of jurisdiction in Section 1295(a)(1)(4); and (c) the fact that Congress' limitation to "under this section" in Section 314(d) would have no meaning under the reading that limits such appellate review to the final decision at the end of the IPR. The Federal Circuit cited no legal authority for its interpretation, and in fact, the authority is to the contrary on facts even weaker than those here. For example, this Court refused in *Sullivan v. Hudson*, 490 U.S. 877, 891-92 (1989), to infer, from an Act's award of fees in adversarial administrative proceeding, that there was a "negative implication" of no fees in non-adversarial proceedings. Yet the Federal Circuit did just the opposite—applying a negative implication to infer lack of appealability for some decisions from the presence of rules that govern appealability for other decisions.

Even if one follows the Federal Circuit's premise that statutory purpose should trump statutory text, the straightforward textual reading of the statute is entirely consistent with Congressional intent. First, Congress established IPRs to give patent challengers greater ability to invalidate suspect patents. Giving the USPTO *carte blanche* to refuse to initiate meritorious challenges would plainly be inconsistent with that intent. There is great sense in Congress'

nuanced decision to block review of technological prior art determinations made by the PTAB under Section 314, while allowing review of purely legal determinations made under Sections 312 and 315. Specifically, the PTAB members have technical educations and training, and long experience with Sections 102 and 103 (which arise in every patent prosecution and almost every patent litigation), and they are thus uniquely positioned to best understand the sort of hypertechnical arguments that often arise in these sorts of proceedings. By contrast, they have no special experience or expertise in purely legal issues of estoppel, which are squarely in the realm of the Article III judges who may review such rulings. The difference between Section 314 on the one hand, and Sections 312 and 315 on the other, thus reflects this very logical distinction.

B. The Government's Position in Subsequent Cases Further Shows the Trouble With the Federal Circuit's Approach

It should be enough that the Federal Circuit's approach on this issue violates numerous rules of statutory construction and administrative law. But subsequent cases expose the problems with the Federal Circuit's approach when it is extended to its natural end. In particular, not all IPR institution decisions are complete denials like those here and in *St. Jude*. Instead, some are complete grants, in which case the patent owner is aggrieved. Others are mixed decisions (*i.e.*, some requested grounds are granted but others are denied), in which both parties are aggrieved. Should the IPR proceed to a final written decision under Sections 318 and 319, at

which point one of the aggrieved parties may want to challenge the institution decision.

These scenarios present a quandary under the *St. Jude* rule. Specifically, one could hold on the one hand that the institution decision is appealable, because the Section 318/319 "condition precedent" that was absent in *St. Jude* and the present case has been satisfied. But that presents an illogical asymmetry—*i.e.*, rulings at institution against a patent owner can be appealed, but rulings against a petitioner generally cannot. Even more illogically, a petitioner could not challenge an institution ruling on a particular ground if it was the only ground and institution was refused, but could challenge the exact same ruling if it was one of two grounds, and IPR was instituted on the other ground.

Even though that plainly should be the result under *St. Jude*, in just such a case, argued to the Federal Circuit in November, the USPTO is taking the position that ***all*** institution decisions are blocked from appeal, even in appeals taken at the end of a full IPR. That case is *In re Cuozzo Speed Technologies*, Docket No. 2014-1301 (Fed. Cir.), and the USPTO has intervened to argue no institution decisions are reviewable, regardless of when they are appealed.[10] The problem with that position is that, although it certainly true that Section 314 blocks

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[10] *See In re Cuozzo Speed Technologies*, Docket No. 2014-1301 (Fed. Cir.), Brief for Intervenor, at 29-39. The USPTO makes only an exception for appeals based on assertions of a violation of Constitutional rights. *See In re Cuozzo Speed Technologies*, Docket 2014-1301 (Fed. Cir.), Oral Argument Recording, *available at* http://www.cafc.uscourts.gov/oral-argument-recordings/all/cuozzo.html.

appeal, regardless of when the appeal is taken, the same is not true for Sections 312 or 315. For those sections, the *St. Jude* court had to rely on Sections 318 and 319, and their application to appeals only at the end of a completed IPR. Where the appeal is taken from the end of an IPR rather than from a refusal to institute an IPR, that all falls away.

In the end, the government's logic, which merely extends *St. Jude* to its natural end, is that Sections 312 and 315 must feed through Section 314 (despite the lack of any statutory basis for that) because they cannot be appealed at institution due to Sections 318 and 319. Yet when they are appealed after institution, at the end of a complete IPR, they are blocked still because they feed through Section 314. That is pure circular logic. This incongruity disappears if one simply holds (consistent with the statutory text) that PTAB decisions under Section 314 are blocked from appeal, and PTAB decisions under Sections 312 and 315 are not.

II. The Question Presented Is Important

The question raised by this petition is important, and this is an appropriate case in which to address it. Congress passed the IPR provisions in the AIA as a mechanism for parties to check the USPTO's work in a quick and relatively inexpensive venue. And parties have done so—filing almost 2000 IPR petitions in just two years. The USPTO has collected over $54 million in fees alone for those IPRs,[11]

[11] The basic filing fee for an IPR is $27,000, and rises when more claims are challenged. At that lowest costs of $27,000 for 2000 IPR filings, the fees to the USPTO would be $54,000,000. See U.S. Patent & Trademark Office, AIA Frequently Asked

parties have spent multiples of that on attorney fees to carry out the IPRs, and those parties have saved multiples more avoiding patent litigation over those patents. It is no small coincidence that recent reports have shown a reduction in year-to-year district court patent filings of 30-40% the last few months. *See Michael Loney*, The Reasons for the Drop in US Patent Litigation, MANAGING INTELLECTUAL PROPERTY (Nov. 21, 2014) http://www.managingip.com/Blog/3402719/The-reasons-for-the-drop-in-US-patent-litigation.html. Congress established a good system to serve as a check on the USPTO's examination, and it is working when petitioners can access it.

Yet the Federal Circuit's holding here erects an impenetrable wall in front of any party that the PTAB rejects at institution. The rate of IPR filings is not slowing down, and in fact is speeding up, and no good will come from forcing parties to go through the process ZOLL Lifecor has here. Those parties likely sought IPR because they did not have the money for full blown litigation, and they certainly cannot then afford a trip to the Supreme Court. St. Jude, in fact, never petitioned for review in its case.

There is also nothing to be gained by waiting, as the Federal Circuit has exclusive jurisdiction and has made its position clear on the issue (7 of the court's active 11 judges were on the panel that decided this case, *St. Jude*, or the two cases decided in parallel with St. Jude). Little development is likely to occur, and the Federal Circuit will simply

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Questions, available at http://www.uspto.gov/aia_implementation/faqs_inter_partes_review.jsp

keep following *St. Jude* and putting other parties into the position that ZOLL Lifecor is in.

We are, in fact, in a window when full and fair access to IPRs for petitioners is critically important. In particular, for about the next nine years, the system will be clearing out patents that the USPTO granted under a too-permissive standard before this Court corrected the Federal Circuit's approach to judging obviousness in 2007 in *KSR Int'l Co. v. Teleflex Inc.*, 500 U.S. 398 (2007).[12] Many of those patents are bad simply because they were examined too leniently, and they are prime candidates for IPR, so correction of the Federal Circuit's door-closing holding should occur as soon as possible.

This is also an excellent case in which to take up the question. The parties are highly motivated to litigate the issue fully because they are in parallel litigation in which Philips seeks substantial damages.

The issues are also very clean in this case, and their resolution will resolve similar issues for many other parties. Specifically, all eight IPRs were resolved on a short record—a single set of briefing for each IPR, followed by a single PTAB opinion for each. The issues are common across the patents. (Although some are subject to Section 315 and some are not, all are subject to Section 312, and the

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[12] Patents expire twenty years from filing. Assuming an average patent takes four years to issue, then patents issued just before KSR in 2007 would have been filed in 2003, and would expire in 2023—meaning there is a huge number of patents decided on the wrong legal standard that will enjoy another nine years of life.

arguments are the same here for Section 312 as for Section 315.) The issue to be decided, then, depends on no disputed facts, but is merely one of applying the relevant rules for review in administrative law to an exercise in statutory interpretation. The Court can thus focus sharply on the identified issue, and can speak with great clarity.

The PTAB's and Federal Circuit's actions in this case also highlight why review is needed. Specifically, the PTAB here plainly confused a legal "standard" with a legal "factor," underscoring that it does not have special expertise in legal issues, as opposed to technological issues. And its order prohibiting introduction of declarations from ZOLL Lifecor's managers, followed by its suggestion that ZOLL Lifecor should have questioned the order and asked to introduce such evidence, shows a lack of special expertise in managing a proceeding in a fair manner with attention for due process. For its part, the Federal Circuit failed to recognize the importance of appellate oversight for agency action, and failed even to address the "strong presumption" in favor of review. Each of these reasons also shows that review would be proper here, in order to provide appropriate guidance to the agency and the court.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

JOHN A. DRAGSETH
Counsel of Record
Fish & Richardson P.C.
60 S. 6th Street – Suite 3200
Minneapolis, MN 55402
(612) 335-5070
dragseth@fr.com

KURT GLITZENSTEIN
Fish & Richardson P.C.
One Marinas Park Drive
Boston, MA 02210
(617) 542-5070
glitzenstein@fr.com

Counsel for Petitioner

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