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CLIENT ALERT

Northern District of California finds no basis for jurisdiction to review application of PTAB's controversial NHK and Fintiv factors that led to refusal to institute IPRs

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On November 10, 2021, the Northern District of California issued a key decision addressing a challenge to the United States Patent and Trademark Office's ("USPTO's") controversial practice of denying *Inter Partes* Review (IPR) petitions on discretionary grounds. The district court granted the USPTO's motion to dismiss the challenge for lack of jurisdiction. Accordingly, the USPTO may continue to refuse to institute IPRs based on discretionary grounds going forward.

In particular, in *Apple Inc, et al. v. Iancu*, No. 5:20-cv-06128-EJD (N.D. Cal.), the plaintiffs (namely Apple Inc., Cisco Systems, Inc., Intel Corporation, and Edwards Lifesciences Corporation) challenged the USPTO's discretionary factors set forth in *NHK Spring Co., Ltd. v. Intri-Plex Techs., Inc.*, No. IPR2018-00752, 2018 WL 4373643 (P.T.A.B. Sept. 12, 2018), and *Apple Inc. v. Fintiv, Inc.*, No. IPR2020-00019, 2020 WL 2126495 (P.T.A.B Mar. 20, 2020), as violations of the Administrative Procedure Act. The district court granted the USPTO's motion to dismiss the challenge for lack of subject matter jurisdiction, stating that under Supreme Court precedents of *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131 (2016) and *Thryv, Inc. v. Click-to-Call Techs., LP*, 140 S. Ct. 1367 (2020), judicial review is not available for the PTAB's non-institution decisions.

In *Cuozzo*, the Court determined there was a lack of jurisdiction to challenge the USPTO's decision to institute an IPR because the patent statute, as amended by the America Invents Act that created the IPR regime and codified at 35 U.S.C. § 314(d), states "[t]he determination by the [USPTO] Director whether to institute an *inter partes* review under this section shall be final and nonappealable." The *Cuozzo* Court noted that this section of the patent statute may be reviewable if it implicated "constitutional questions . . . of interpretation that reach, in terms of scope and impact, well beyond [§ 314(d)]," 136 S. Ct. at 2141, but when a lawsuit challenges an institution decision that is closely tied to the application and interpretation of statutes related to the USPTO's decision to institute an IPR, a court lacks jurisdiction. In *Thryv*, the Court determined that the USPTO's decision to implement the time bar provision of the IPR regime, codified at 35 U.S.C. § 315(b), so as to refuse institution of an IPR, was also not reviewable by a court under § 314(d) since the "time limitation is integral to, [and] indeed a condition on, institution," and thus a lawsuit challenging the time bar was "an 'ordinary dispute about the application of' an institution-related statute." 140 S. Ct. at 1373 (quoting *Cuozzo*, 136 S. Ct. at 2139).

In analyzing the complaint filed in the Northern District of California, the district court found that the non-exclusive factors evaluated by the USPTO decisions of in *NHK* and *Fintiv* to deny IPR institution were "closely related" to the statutory grant to the USPTO Director to decide whether to institute an IPR. The district court further found that the challenges raised by the plaintiffs did not rise to the level of a constitutional violation. In particular, the court found that "this Court cannot deduce a principled reason why preclusion of judicial review under § 314(d) would not extend to the Director's determination that parallel litigation is a factor in denying IPR." Slip Op. at 10.

Key Takeaway

The impact of the decision keeps in place the *NHK* and *Fintiv* factors used by the USPTO to determine whether or not to institute an IPR. It raises substantial considerations about the strategy of simultaneous district court litigation coupled with one or more IPRs, since the USPTO may weigh the non-exclusive factors and exercise its discretion to refuse to institute an IPR when there is a pending district court litigation. Further, it is not clear how expansive the USPTO may make its power to deny IPR petitions in the future due to the opacity of what is "closely related" to the USPTO Director's decision whether to institute an IPR. An appeal of the district court's decision may be of interest to the Federal Circuit to bring the strategy of IPR practice in conjunction with district court litigation into better focus.

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