

2016-2321

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UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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**NIDEC MOTOR CORPORATION,**

*Appellant*

**v.**

**ZHONGSHAN BROAD OCEAN MOTOR Co., LTD, BROAD OCEAN MOTOR, LLC,  
BROAD OCEAN TECHNOLOGIES, LLC,**

*Appellees*

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Appeal from the United States Patent and Trademark Office,  
Patent Trial and Appeal Board in Nos. IPR2014-01121 and IPR2015-00762.

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**BRIEF FOR INTERVENOR – DIRECTOR OF  
THE UNITED STATES PATENT AND TRADEMARK OFFICE**

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Nathan K. Kelley  
Solicitor

Scott C. Weidenfeller  
Frances M. Lynch  
Joseph Matal

Office of the Solicitor – Mail Stop 8  
U.S. Patent and Trademark Office  
P.O. Box 1450  
Alexandria, VA 22313-1450  
571-272-9035

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*Attorneys for the Director of the  
U.S. Patent and Trademark Office*

### Relevant Statutory Provisions

35 U.S.C. § 311(a):

**(a) In general.**—Subject to the provisions of this chapter, a person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent. The Director shall establish, by regulation, fees to be paid by the person requesting the review, in such amounts as the Director determines to be reasonable, considering the aggregate costs of the review.

35 U.S.C. § 315(b) & (c):

**(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).

**(c) Joinder.**—If the Director institutes an inter partes review, the Director, in his or her discretion, may join as a party to that inter partes review any person who properly files a petition under section 311 that the Director, after receiving a preliminary response under section 313 or the expiration of the time for filing such a response, determines warrants the institution of an inter partes review under section 314.

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## **STATEMENT OF RELATED CASES**

The Director is not aware of any appeal in connection with this case that has previously been before this Court, or that is currently pending in any other court.

Other than the judicial proceedings identified in Nidec's brief, the Director is not aware of any judicial proceedings that may affect, or be affected by, a decision in this matter.

## I. STATEMENT OF JURISDICTION

This appeal arises from a final written decision of the Patent Trial and Appeal Board (“Board”) in an inter partes review (“IPR”) proceeding. The Board entered its final written decision on May 9, 2016. Nidec filed a notice of appeal on July 8, 2016, within the time limit specified by 37 C.F.R. § 90.3(a)(1). As explained in Section V(B) of this brief, this Court lacks jurisdiction to review the USPTO’s decision to institute IPR2015-00762, because that decision is “final and nonappealable.” 35 U.S.C. § 314(d); *Cuozzo Speed Techs., L.L.C. v. Lee*, 136 S. Ct. 2131, 2139 (2016).

This Court likewise lacks jurisdiction under 35 U.S.C. §§ 141(c) and 319 to review the USPTO’s decision under 35 U.S.C. § 315(c) to join IPR2015-00762 with IPR2014-01121. *See GTNX, Inc. v. INTTRA, Inc.*, 789 F.3d 1309, 1312 (Fed. Cir. 2015) (holding that a final written decision with respect to patentability is “the only appealable decision within the statutory regime” under 35 U.S.C. §§ 328-29, which are substantively identical to §§ 318-19); *Medtronic, Inc. v. Robert Bosch Healthcare Sys., Inc.*, 839 F.3d 1382, 1384 (Fed. Cir. 2016) (a decision whether to institute inter partes review is “final and nonappealable” under § 314(d)). This Court otherwise has appellate jurisdiction over Nidec’s appeal of the Board’s final written decision under 28 U.S.C. § 1295(a)(4)(A).

## II. STATEMENT OF THE ISSUES

The USPTO intervened in this appeal for a limited purpose: to address Nidec's challenge under 35 U.S.C. § 315(b) to the Board's decision to institute IPR2015-00762. Broad Ocean filed its petition in IPR2015-00762 more than one year after it had been sued for allegedly infringing the challenged patent. Ordinarily, such a petition would be barred by § 315(b), but the USPTO determined that the one-year time limitation in § 315(b) did not bar institution of that IPR because Broad Ocean sought to join IPR2014-01121, which was filed within the one-year time limitation. Thus, under 35 U.S.C. § 315(c), "[t]he time limitation set forth in [the first sentence of § 315(b)] shall not apply." 35 U.S.C. § 315(b). Broad Ocean is also the petitioner in that earlier, timely-filed IPR. The USPTO therefore addresses two issues in connection with Nidec's appeal:

1. Whether this Court lacks jurisdiction to review the USPTO's decision to institute the IPR.
2. If the Court has jurisdiction, whether the Board abused its discretion in instituting IPR2015-00762 and joining it with IPR2014-01121, where both IPRs were sought by the same party.

### **III. STATEMENT OF THE CASE**

#### **A. Introduction**

Nidec owns U.S. Patent No. 7,626,349 (“the ’349 patent”). On September 25, 2013, Nidec served Broad Ocean with a complaint alleging infringement of the ’349 patent. Appx869. On July 28, 2014, Broad Ocean filed a first revised petition with the U.S. Patent and Trademark Office (“USPTO”) to institute an IPR of the ’349 patent. Appx110-170. On January 21, 2015, the Board instituted IPR2014-01121. Appx172-189. On February 20, 2015, Broad Ocean filed a second petition to institute an IPR of the ’349 patent and filed a motion to join that proceeding with IPR2014-01121. Appx803-857; Appx1194-1211. The proceeding associated with the second petition was designated as IPR2015-00762. On July 20, 2015, the Board denied institution, with one judge dissenting. Appx859-878. Broad Ocean moved for rehearing, and on October 5, 2015, with two judges dissenting, an expanded panel of the Board granted Broad Ocean’s request for rehearing, instituted the second IPR, and granted Broad Ocean’s motion to join the two IPR proceedings. Appx932-945.

The Board ultimately issued a final written decision determining that Broad Ocean had established that claims 1-3, 8, 9, 12, 16, and 19 of the ’349 patent were unpatentable on two independent grounds: (i) obvious over Bessler and Kocybik; and (ii) anticipated by Hideji. Appx12-45.

Nidec challenges both the Board's final written decision and the Board's decision to institute the second inter partes review, IPR2015-00762. The Director of the USPTO intervened to defend the Board's decision to institute IPR2015-00762 and join it with the earlier-filed IPR. *See* 35 U.S.C. § 143. If this Court affirms the Board's determination that claims 1-3, 8, 9, 12, 16, and 19 would have been obvious over Bessler and Kocybik, then it need not address the issues raised in the Director's brief.

## **B. Statutory And Regulatory Background**

### **1. Inter Partes Review Procedures Under The AIA**

In the Leahy-Smith America Invents Act ("AIA"), Pub. L. No. 112-29, 125 Stat. 284 (2011), Congress substantially expanded the USPTO's procedures for reconsidering the patentability of claims in issued patents. The AIA replaced inter partes reexamination with IPR, an adversarial proceeding before the renamed Patent Trial and Appeal Board. *See* 35 U.S.C. § 311.<sup>1</sup> The AIA changed the threshold showing necessary for the USPTO to institute an IPR, made all patents subject to such review regardless of the date on which they were issued, broadened the estoppel provisions to which petitioning parties would be subject, imposed

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<sup>1</sup> The AIA also created "post-grant review" ("PGR"), *see generally* 35 U.S.C. §§ 321-329, and a special "transitional post-grant review proceeding for review of the validity of covered business method patents," AIA § 18, which is known as "CBM review." Both proceedings permit broader patentability challenges than IPR, *see* 35 U.S.C. § 321(b), but they involve similar procedures.

strict timelines for completion of the review, and permitted an appeal to this Court only from the Board's final written decision as to patentability. *See* H.R. Rep. No. 112-98, at 46-47 (2011). Any person other than the patent owner may petition to institute an IPR, and the petitioner may participate in the proceedings and any ensuing appeal. *See* 35 U.S.C. §§ 311, 316, 319.

Only the Board's final written decision as to patentability in an IPR is subject to judicial review in this Court. *See* 35 U.S.C. §§ 318(a), 319; *GTNX*, 789 F.3d at 1312. Congress provided that the USPTO's threshold decision whether to *institute* an IPR — that is, the agency's determination whether a particular petition for review satisfies the statutory criteria for commencement of a proceeding — shall be “final and nonappealable.” 35 U.S.C. § 314(d) (“The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.”). Congress also granted the USPTO discretion to “join as a party to [a previously-instituted] inter partes review any person who properly files a petition under section 311,” if the USPTO determines that the petition “warrants the institution of an inter partes review under section 314.” 35 U.S.C. § 315(c).

Notably, the provision that prohibits the granting of a petition filed more than a year after a complaint has been served on a petitioner, § 315(b), expressly does not apply to joinder. In addition, the joinder provision of § 315(c) does not

limit which petitioners can be joined to an existing proceeding, and §315(c) requires, as a prerequisite to joinder, that a separate grantable petition be filed.

## **2. USPTO Rules For Inter Partes Review**

To implement the AIA's new administrative review schemes, Congress provided the USPTO with expanded rulemaking authority. *See generally* 35 U.S.C. § 316(a); *see also* *Cuozzo*, 136 S. Ct. at 2142. The AIA authorizes the USPTO to “prescribe regulations . . . establishing and governing” IPR proceedings, to specify “the relationship of such review to other proceedings under this title,” and to set “a time period for requesting joinder,” among other matters. 35 U.S.C. §§ 316(a)(4), (a)(12).

Pursuant to those express statutory grants of rulemaking authority, the USPTO has prescribed regulations governing inter partes, post-grant, and CBM review proceedings, as well as general rules of practice before the Board. *See generally* 37 C.F.R., part 42. Among other matters, those rules delegate to the Board the Director's authority to determine whether to institute particular proceedings. *See* 37 C.F.R. § 42.108; *see also* 37 C.F.R. § 42.4. The rules also provide that either party may request joinder “no later than one month after the institution date of any *inter partes* review for which joinder is requested.” 37 C.F.R. § 42.122(b).

## **C. Procedural History**

### **1. The Board's decisions to institute and join the inter partes reviews**

Broad Ocean was served with a complaint alleging infringement of the '349 patent on September 25, 2013. Appx869. On July 28, 2014, Broad Ocean filed a first revised petition requesting inter partes review of claims 1-3, 8, 9, 12, 16, and 19 on two grounds: (i) anticipation by Hideji; and (ii) obviousness over Bessler and Kocybik. Appx110-171.

On January 21, 2015, the Board instituted IPR2014-01121, finding that Broad Ocean had established a reasonable likelihood that claims 1-3, 8, 9, 12, 16, and 19 of the '349 patent would have been obvious over Bessler and Kocybik. Appx172-189. The Board denied institution of claims 1-3, 8, 9, 12, 16, and 19 as anticipated by Hideji because Broad Ocean failed to file an affidavit attesting to the accuracy of the translation of Hideji that Broad Ocean had submitted with its petition. Appx184.

On February 20, 2015, Broad Ocean filed a second petition, IPR2015-00762, with a motion for joinder, requesting that the Board institute an inter partes review on the same grounds that Broad Ocean had asserted in its first petition, namely that claims 1-3, 8, 9, 12, 16, and 19 were anticipated by Hideji. Appx803-858; Appx1194-1211. Broad Ocean cured the technical defect in its first petition by this

time attaching an affidavit attesting to the accuracy of the translation of Hideji with its second petition. Appx1193.

On July 20, 2015, with one judge dissenting, the Board denied institution of IPR2015-00762. Appx859-878. The Board stated that Broad Ocean had been served with a complaint alleging infringement of the '349 patent on September 25, 2013, and the second petition was filed on February 20, 2015, more than a year later. Appx869. "Notwithstanding [the Board's] determination that the Petition meets the standard set forth in 35 U.S.C. 314(a)," the Board concluded that "institution of an *inter partes* review is barred by § 315(b)." *Id.* The Board then addressed "whether the exception to the time bar applies when a party requests joinder of issues to a proceeding to which it is already a party." Appx870. The Board determined that, in its view, the "phrase 'join as a party' excludes a person who is already a party." Appx871.

Broad Ocean filed a motion for rehearing and requested an expanded panel of the Board. Appx879-931. The Acting Chief Judge designated an expanded panel of judges pursuant to 35 U.S.C. § 6(c), and on October 5, 2015, the five judge panel (with two judges dissenting) granted Broad Ocean's request for rehearing, instituted inter partes review of proceeding IPR2015-00762, and granted the motion for joinder. Appx932-945.

In its decision, the Board explained that § 315(c) “permits the joinder of any person who properly files a petition under § 311, including a petitioner who is already a party to the earlier instituted *inter partes* review.” Appx936. The Board found that Broad Ocean “properly filed a petition under § 311, including an affidavit attesting to the accuracy of the English translation of Hideji.” *Id.* The Board noted that Broad Ocean’s second petition presented only one ground of unpatentability (that claims 1-3, 8, 9, 12, 16 and 19 are anticipated by Hideji) and that same ground had been asserted by Broad Ocean in IPR2014-01121. Appx938. The Board explained that it had previously denied institution on this ground not on the merits, but because Broad Ocean had failed to include an attesting affidavit with the English translation of Hideji. *Id.* Thus, the Board found that Broad Ocean was not attempting “to cure a deficiency of the merits,” and that Nidec had been aware of the asserted ground of unpatentability based on Hideji since the filing of Broad Ocean’s first petition. Appx939. In addition, the Board noted that Broad Ocean’s second petition relied on the same declaration by Dr. Mark Ehsani that was filed with its first petition. *Id.*

In sum, the Board found that the public interest would be served “more fully by considering the merits of the asserted ground of unpatentability based on Hideji rather than by denying consideration” and that any necessary modification could be

made to the schedule. *Id.* The Board thus exercised its discretion in granting the motion for joinder of the two IPRs. Appx937-941.

## **2. The Board's Final Written Decision**

After its decisions to institute and join the IPRs, the Board conducted a full trial proceeding in accordance with its rules. *See generally* 37 C.F.R. §§ 42.120-42.123. At the close of that proceeding, the Board issued its final written decision on May 9, 2016. Appx12-45. The Board determined that Broad Ocean had established by a preponderance of the evidence that claims 1-3, 8, 9, 12, 16, and 19 of the '349 patent were unpatentable as (i) anticipated by Hideji; and (ii) obvious over Bessler and Kocybik. *Id.* Nidec appealed to this Court.

## **IV. SUMMARY OF THE ARGUMENT**

This Court lacks jurisdiction to review Nidec's challenge to the Board's decision to institute IPR2015-00762 and join it with IPR2014-01121. The AIA limits the scope of this Court's judicial review of an IPR proceeding to the Board's final written decision with respect to patentability. It does so because Congress created IPR for the USPTO to determine whether claims are patentable, not to permit owners of unpatentable claims to retain those claims because of a perceived defect in a decision to institute an IPR.

Nidec, however, argues that this case falls within one of the exceptions discussed by *Cuozzo*. First, Nidec argues that the Office engaged in "shenanigans"

when, in response to Broad Ocean's request, it expanded the original panel of three judges to five judges on rehearing. But the *en banc Alappat* Court specifically held that the Director has the authority to expand a panel on rehearing. Second, Nidec argues that the USPTO violated due process because it did not engage in notice-and-comment rulemaking, or alternatively, because there is no precedential Board decision on this issue. But the law is clear that the agency has the option to choose rulemaking or adjudication, and there is no requirement that the USPTO issue precedential decisions.

BIO, as an amicus, separately attempts to raise due process arguments. But, as an amicus, it lacks standing to do so. And on the merits, because most of BIO's arguments mirror those made by Nidec, they fail for the same reasons. BIO does raise one additional challenge on its own, arguing that the agency failed to follow its own internal procedures for enlarging the panel of judges. As shown below, the Office followed its standard operating procedure in every respect.

Thus, because this case does not fall within any potential exception to the *Cuozzo* decision, this Court lacks jurisdiction to review the Board's institution and joinder decisions.

Moreover, even if this Court were to reach the merits of Nidec's challenge, Nidec would fare no better. The AIA gives the USPTO discretion whether to institute an IPR and whether to allow joinder of IPR proceedings once instituted.

The Board did not abuse that discretion in this case. The statute permits joinder of “any person,” 35 U.S.C. § 315(c), which includes Broad Ocean.

## V. ARGUMENT

### A. Standard of Review

Regulations issued by the USPTO under a statutory grant of rulemaking authority are entitled to deference unless based on an unreasonable construction of the statute. *See Chevron U.S.A. Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837, 843-44 (1984); *Cuozzo*, 136 S. Ct. at 2142. The USPTO’s interpretation of its own regulations is “controlling unless plainly erroneous or inconsistent with the regulation.” *Auer v. Robbins*, 519 U.S. 452, 461 (1997) (internal quotation marks omitted). The Board’s actions may not be set aside unless “arbitrary, capricious, an abuse of discretion, unsupported by substantial evidence, or otherwise not in accordance with law.” *In re Sullivan*, 362 F.3d 1324, 1327 (Fed. Cir. 2004); 5 U.S.C. § 706(2)(A).

### B. This Court lacks jurisdiction to review the USPTO’s decisions to institute IPR2015-00762 and to join it with IPR2014-01121

This Court lacks jurisdiction to review the USPTO’s decisions to institute IPR2015-00762 and to join it with IPR2014-01121. Congress specifically provided that the USPTO’s decision “whether to institute” such a proceeding “shall be final and nonappealable,” 35 U.S.C. § 314(d), and it authorized this Court to review only the Board’s final written decision as to patentability. *See* 35 U.S.C.

§§ 319, 318(a). Congress could hardly have expressed its intent to foreclose after-the-fact relitigation of the USPTO’s institution decisions more clearly. *See GTNX*, 789 F.3d at 1312 (holding that a final written decision with respect to patentability is “the only appealable decision within the statutory regime” under 35 U.S.C. §§ 328-29, which are substantively identical to §§ 318-19). Reconsideration of decisions whether to institute are also barred from judicial review. *Medtronic*, 839 F.3d at 1384 (“It is difficult to conceive of a case more ‘closely related’ to a decision to institute proceedings than a reconsideration of that very decision.”)

Finally, as discussed in Section V(C), even if Nidec could properly relitigate this question here, the USPTO did not abuse its discretion in instituting the second-filed IPR and concluding that the IPR proceedings could be joined under 35 U.S.C. § 315(b)-(c).

**1. This Court’s precedent and *Cuozzo* foreclose Nidec’s challenge**

Nidec challenges the Board’s institution of IPR2015-00762. Nidec argues that 35 U.S.C. § 315(b) bars the USPTO from instituting this IPR, and joining it with Nidec’s earlier filed IPR. Br. 35-54.<sup>2</sup>

But this Court’s precedent expressly holds that this Court lacks jurisdiction to consider such challenges. This Court has held that the prohibition on this

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<sup>2</sup> Citations to “Br. \_” refer to Nidec’s Opening Brief. Citations to “BIO Br. \_\_\_” refer to BIO’s amicus brief.

Court's jurisdiction to review USPTO decisions in 35 U.S.C. § 314(d) includes the USPTO's determination of whether § 315(b) bars the petitioner from filing a petition. *See Achates Reference Publishing, Inc. v. Apple Inc.*, 803 F.3d 652, 658 (Fed. Cir. 2015); *St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 1375-76 (Fed. Cir. 2014); *see also GTNX*, 789 F.3d at 1312.

In *Cuozzo*, the Supreme Court confirmed this view, holding that § 314(d) prohibits review of the decision to institute an IPR even after a final decision. *Cuozzo*, 136 S. Ct. at 2139. As *Cuozzo* explains, § 314(d) expressly states that institution decisions are “final and nonappealable.” *Id.* at 2139. To construe the provision otherwise would undercut the important congressional objective to give the USPTO “significant power to revisit and revise earlier patent grants” and would render the provision superfluous. *Id.* at 2139-40. Thus, *Cuozzo* held that the “strong presumption” in favor of judicial review is overcome by “clear and convincing” indications that Congress intended otherwise. *Id.* at 2140.

Nidec attempts to distinguish *Achates* by arguing that *Achates* presented a “highly fact-dependent” question. Br. 44. But no Court has suggested that this is a distinction that matters. To the contrary, in *Husky*, this Court held that it lacked jurisdiction to review an institution decision based on a purely legal question: whether assignor estoppel applies in an inter partes review. *Husky Injection Molding Sys. Ltd. v. Athena Automation Ltd.*, 838 F.3d 1236, 1241-42 (Fed. Cir.

2016). In doing so, the *Husky* Court never discussed any possible distinction between factual and legal questions. Instead, it determined that the question of whether assignor estoppel applies did not fall into any of the specified *Cuozzo* exceptions, and was not related to the Board's "ultimate invalidation authority" as described by *Versata*. *Id.* at 1245-1247. After resolving these inquiries, the *Husky* Court held that it "lack[ed] jurisdiction to review the Board's determination on whether assignor estoppel precludes it from instituting *inter partes* review." *Id.* at 1247.

Finally, the Director notes that this Court has recently decided to reconsider *en banc* whether to overrule *Achates* and decide that decisions assessing the timeliness requirement of § 315(b) are reviewable on appeal. *Wi-Fi One, LLC v. Broadcom Corp.*, Nos. 2015-1944, -1945, -1946, Order on Petition for Rehearing, ECF No. 67 (Fed. Cir. Jan. 4, 2017). This case, however, involves a different issue. Broad Ocean's second petition was filed more than one year after it was served with a complaint and thus could not be instituted by the USPTO under § 315(b) but for the final sentence in that provision that expressly does not apply the one year time limitation to a request for joinder under § 315(c). There is no dispute in this case about the timing of the second petition, or about the operation of § 315(b) on § 315(c). Instead, the dispute here is whether the language in the § 315(c) joinder provision embraces Broad Ocean's second petition.

## 2. The case law comports with the AIA statutory scheme

Congress provided that an inter partes review shall proceed in two distinct phases. *See St. Jude*, 749 F.3d at 1375-76. First, after reviewing the petition filed by the requesting party and any response submitted by the patent owner, the Director determines whether to “institute” the proceeding. 35 U.S.C. § 314(a). Congress specifically provided that the culmination of the first phase — “[t]he determination by the Director whether to institute an inter partes review under this section” — shall be “final and nonappealable.” 35 U.S.C. § 314(d). Next, if the Director decides to institute an IPR, the Board conducts that review on the merits. *See* 35 U.S.C. § 316(c). The result of this second phase is a “final written decision with respect to the patentability” of the relevant claims. 35 U.S.C. § 318(a), 319, 141(c). Such a final written decision is “the only appealable decision” in an IPR. *GTNX*, 789 F.3d at 1312 (addressing the identical statutory text in the PGR context); *Husky*, 838 F.3d at 1242.

Thus, as recognized by this Court and the Supreme Court, Congress plainly expressed its intent to foreclose relitigation in this Court of the USPTO’s decision to institute an IPR and all issues other than the final patentability decision. *See* 35 U.S.C. §§ 318(a), 319, 141(c). The only provision of the Patent Act that allows an appeal to this Court from an IPR is § 319, which authorizes judicial review of “the final written decision of the Patent Trial and Appeal Board under section 318(a).”

35 U.S.C. § 319. Section 318(a), in turn, addresses only the Board’s decision on the merits of patentability issues: it specifies that the Board shall issue “a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 316(d).” 35 U.S.C. § 318(a). That decision — the Board’s resolution of the patentability issues on the merits — is the only decision that this Court has jurisdiction to review. *See GTNX*, 789 F.3d at 1312. The USPTO’s threshold decision to institute an IPR is not such a decision. Nor is a joinder decision; it is a decision intertwined with the decision to institute the second-filed IPR.

Indeed, interpreting § 314(d) to permit appeal of the USPTO’s institution decision as part of an appeal of the final patentability decision would render § 314(d) entirely superfluous. *See Cuozzo*, 136 S. Ct. at 2140. Even in the absence of § 314(d), a party dissatisfied with the Director’s decision to institute an IPR could not have challenged that decision until the Board issued its final patentability decision. Thus, if Congress had intended merely to postpone judicial review until the Board issued its patentability decision it would have had no need to enact § 314(d).

A patent owner aggrieved by the Board’s decision in an IPR proceeding is entitled to obtain this Court’s review of the merits of the Board’s patentability determination. But the patent owner is not entitled to set aside the Board’s

decision on the theory that the USPTO erred in instituting the proceeding in the first place. This scheme reflects an evident congressional judgment that once the agency has made a final decision that claims are anticipated or obvious, the system is best served by requiring the parties and the courts to focus their efforts on addressing the correctness of that patentability determination, rather than relitigating questions over whether the agency should have reached the decision in the first place.

**3. This case does not fall within any *Cuozzo* exception**

*Cuozzo* explains that the prohibition against reviewability applies to “questions that are closely tied to the application and interpretation of statutes related to the Patent Office’s decision to initiate inter partes review.” *Cuozzo*, 136 S. Ct at 2141. Section 315 is just such a statute because it addresses who may seek inter partes review. *See Husky*, 838 F.3d at 1246 (“the statutes ‘closely related’ to the decision whether to institute are necessarily, and at least, those that define the metes and bounds of the *inter partes* review process”). Thus, questions relating to section 315 fall squarely within the realm of decisions that are final and nonappealable under *Cuozzo*. And there is no dispute that this case is a challenge to a decision made under sub-section 315(c).

Nidec, however, argues that this case falls within one of the *Cuozzo* exceptions. Br. 38. The *Cuozzo* exceptions are appeals that implicate

“constitutional questions, that depend on other less closely related statutes, or that present other questions of interpretation that reach, in terms of scope and impact, well beyond ‘this section.’” *Cuozzo*, 136 S. Ct. at 2141. *Cuozzo* further explained that it was not categorically precluding 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 when an agency “act[s] outside its statutory limits by, for example, canceling a patent claim for ‘indefiniteness under § 112’ in inter partes review.” *Id.* at 2141-2142 (citation omitted). *Cuozzo* explained that such “shenanigans” may be “properly reviewable in the context of § 319 and under the Administrative Procedure Act, which enables reviewing courts to ‘set aside agency action’ that is ‘contrary to constitutional right,’ ‘in excess of statutory jurisdiction,’ or ‘arbitrary [and] capricious.’” *Id.* at 2142. As shown below, this case does not fall within any of the *Cuozzo* exceptions.

**a. There were no “shenanigans” here**

Latching on to *Cuozzo*’s use of the word “shenanigans,” Nidec argues that the USPTO has engaged in “shenanigans” by “panel-stacking.” Br. 38-40. Nidec complains that this practice allows the Director to “reconfigure[] the panel by adding a couple of judges who will interpret the statutes in line with the Director’s policy positions.” Br. 38.

First, *Cuozzo*'s use of the word "shenanigans" does not appear to have been intended to establish a separate, independently-applicable test for identifying exceptions to § 314(d)'s appeal bar. Rather, the Court used this term to characterize the specific exceptions that it *did* identify in its opinion: colorable constitutional violations, and questions concerning ultra vires actions in violation of statutes unrelated to the institution decision. *See Cuozzo*, 136 S. Ct. at 2141-42. It is these actual exceptions — addressing outlandish abuses of the agency's authority, rather than broad colloquialisms — that this Court should apply when determining whether an exception to § 314(d) is present.

Moreover, reconsideration by an expanded panel does not constitute "shenanigans." "[A]dministrative agencies possess inherent authority to reconsider their decisions." *Medtronic*, 839 F.3d at 1385, quoting *Tokyo Kikai Seisakusho, Ltd. v. United States*, 529 F.3d 1352, 1360 (Fed. Cir. 2008). And the Director has the authority to constitute a new panel for reconsideration. *In re Alappat*, 33 F.3d 1526, 1530-31 (Fed. Cir. 1994) (en banc), *abrogated on other grounds* by *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008) (answering "yes" to the question: "[w]hen a three-member panel of the Board has rendered its decision, does the Commissioner have the authority to constitute a new panel for purposes of reconsideration?"). The *Alappat* Court explained that because 35 U.S.C. § 7 provided that "[e]ach appeal and interference shall be heard by *at least three members* of the Board of

Appeals and Interferences, who shall be designated by the Commissioner,” Congress “expressly granted the Commissioner the authority to designate expanded Board panels made up of more than three Board members.”<sup>3</sup> *Id.* at 1531-1532. Thus, there were no “shenanigans” here, and this Court has held *en banc* that any “procedural gymnastics” (Br. 36) in expanding panels is permissible.

**b. There are no due process concerns here**

Nidec presents numerous due process arguments. Br. 40-43. None has any merit. BIO also attempts to raise assorted due process challenges, but as an amicus, BIO does not have standing to do so. *Alappat* at 1536, citing *Broadrick v. Oklahoma*, 413 U.S. 601, 610 (1973). And even if this Court were to consider BIO’s arguments, they, too, have no merit.

Nidec begins by arguing that expanding the panel of Board judges raises due process concerns. But, as evidenced by the “spirited dissents,” even Nidec concedes that the agency is not “directing individual judges to decide cases in a certain way.” Br. 43. Thus, *Butz*, *NEC*, and *Shaughnessy* are inapposite because in each of those cases, the independent judgment of a decision maker was at issue. *Butz v. Economou*, 438 U.S. 478 (1978); *NEC Corp. v. United States*, 151 F.3d

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<sup>3</sup> The “at least three members” language now appears in 35 U.S.C. §6(c) which provides that “[e]ach appeal, derivation proceeding, post-grant review, and inter partes review shall be heard by at least 3 members of the Patent Trial and Appeal Board, who shall be designated by the Director. Only the Patent Trial and Appeal Board may grant rehearings.” 35 U.S.C. § 6(c).

1361, 1373 (Fed. Cir. 1998); *United States ex rel. Accardi v. Shaughnessy*, 347 U.S. 260, 267 (1954) (allegation that the Attorney General influenced the Board’s decision-making process by circulating a list of “unsavory characters” whom he “planned to deport”).

Nidec, however, raises a broader challenge to the Director’s authority to staff panels, arguing that the “ultimate joinder decision under § 315(c) is not being performed by impartial decision makers, but rather by the Director who selectively staffs panels to achieve her preferred interpretation.” Br. 40-43, at 42. BIO makes a similar argument. BIO Br. 19-25. But *Alappat* specifically states that the “statutory scheme does allow the Commissioner to determine the composition of Board panels, and thus he may convene a Board panel which he knows or hopes will render the decision he desires, even upon rehearing.” *Alappat*, 33 F.3d at 1535.<sup>4</sup> Any perceived problem with the Director’s ability to staff panels should be even more attenuated in this case where the issue involves a decision to institute. Unlike a final written decision, which is committed to the PTAB by 35 U.S.C. § 318(a), Congress provided in § 314 that the Director may institute a trial, and that authority has been delegated to the PTAB. As a result, it is hard to even understand the harm BIO perceives from the current scheme.

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<sup>4</sup> *Alappat*’s invitation “to the legislature to determine whether any restrictions should be placed on the Commissioner’s authority in this regard” has gone unanswered for the last twenty years. *Id.* at 1536.

BIO also incorrectly argues that the USPTO's "use of panel-stacking raises even worse due-process problems" than in *Utica Packing Co. v. Block*, 781 F.2d 71 (6th Cir. 1986). BIO Br. 20-21. In *Utica Packing*, the question was whether the Secretary of Agriculture may replace a Judicial Officer "after that officer has rendered a final decision in a case and then present a petition for reconsideration to the replacement." *Utica Packing*, 781 F.2d at 72. Because the USDA "violently disagreed" with the decision of a Judicial Officer, the Secretary revoked his authority to perform any further "regulatory function" in the case, and appointed a new Judicial Officer who was not a lawyer and "had never performed adjudicatory, regulatory or legal work." *Id.* at 74. The Secretary also assigned a new legal advisor whose immediate supervisor had participated in the removal of the original Judicial Officer and also "supervised the division responsible for the prosecution of *Utica*." *Id.*

This case differs from *Utica Packing* in several significant ways. The Acting Chief Judge did not replace any judge; he expanded the panel pursuant to the specific statutory authority set forth in 35 U.S.C. § 6. Appx933. The Acting Chief Judge also did not choose a noncareer employee with no background in law or adjudication; he chose judges who were both technically and legally competent. And finally, the agency did not request rehearing; Broad Ocean did. Appx884. Indeed, as shown in *Skyhawk*, in the absence of a rehearing request from a party,

the agency has not taken further action. *Skyhawk Techs., LLC v. L&H Concepts, LLC*, Case IPR2014-01485 (PTAB Mar. 20, 2015) (Paper 13).

Next, Nidec complains, with no supporting authority, that the lack of a precedential decision on this particular issue raises due process concerns. Br. 42. But Nidec does not explain how a precedential opinion would have benefitted Nidec. And if we are to assume that Nidec’s argument is that “inconsistent” decisions raise due process concerns, this Court has flatly rejected that argument. *Medtronic*, 839 F.3d at 1386 (rejecting Medtronic’s argument that there was a constitutional violation because of the Board’s “inconsistent application of the real party in interest requirement”). Indeed, if inconsistency is at the root of Nidec’s complaints, it seems contradictory for Nidec complain about a process undertaken solely to *ensure* consistency.

In addition, Nidec (and BIO) argue that there is a due process issue because the USPTO did not engage in notice-and-comment rulemaking. Br. 41-42; BIO Br. 24. Again, neither party explains how such rulemaking — which BIO derides as mere “bells and whistles” (BIO Br. 24 n.8) — would have benefitted Nidec. But setting that aside, “the choice between rulemaking and adjudication lies in the first, instance within the [agency’s] discretion.” *Microsoft Corp. v. Proxyconn, Inc.* 789 F.3d 1292, 1307 (Fed. Cir. 2015), quoting *NLRB v. Bell Aerospace Co. Div. of Textron*, 416 U.S. 267, 294 (1974). As the Supreme Court has made clear,

there is “a very definite place for the case-by-case evolution of statutory standards” and “the choice made between proceeding by general rule or by individual, ad hoc litigation is one that lies primarily in the informed discretion of the administrative agency.” *SEC v. Chenery Corp.*, 332 U.S. 194, 203 (1947). Indeed, it “is fair to assume generally that Congress contemplates administrative action with the effect of law when it provides for a relatively formal administrative procedure tending to foster the fairness and deliberation that should underlie a pronouncement of such force.” *United States v. Mead Corp.*, 533 U.S. 218, 230 (2001) (internal citation and footnote omitted). In other words, Congress *expects* an agency to resolve some issues through adjudication rather than rulemaking when it establishes an adjudicative process such as the process set forth in the IPR statute. Thus, the USPTO’s decision to forgo notice-and-comment rule-making in favor of adjudicative decision-making is well within the ambit of permissible administrative procedure. It does not constitute a due process violation.

Nidec’s and BIO’s contention that the USPTO has acted ultra vires or exceeded its statutory authority is also meritless. Br. 36, 40, 46; BIO Br. 26. The time limit in 35 U.S.C. § 315(b) does not apply when a request for joinder is filed. *See* 35 U.S.C. § 315(b). Thus, the USPTO is not acting ultra vires or exceeding its statutory authority when the requirements of § 315(c) are satisfied.

Furthermore, Nidec's reliance on Judge Reyna's concurrence in *Shaw* is misplaced. Br. 43; *Shaw Indus. Group, Inc. v. Automated Creel Sys., Inc.*, 817 F.3d 1293 (Fed. Cir. 2016). Judge Reyna fully *joined* the majority's opinion that the Court lacked authority to review the Board's decision to institute on some, but not all, claims. *Id.* at 1302. Judge Reyna's "concerns" related to a different issue, namely, whether the Board decision clearly indicated whether estoppel would apply to particular claims and grounds. *Id.*

Finally, BIO makes an additional due process argument — that the agency failed to follow its own procedures. BIO Br. 22-25. But the PTAB's Standard Operating Procedure specifically states that "[t]his SOP creates internal norms for the administration of the Board. It does not create any legally enforceable rights." Patent Trial and Appeal Board Standard Operating Procedure 1 (Revision 14), "Assignment of Judges to Merits Panels, Interlocutory Panels, and Expanded Panels," ("SOP") at 2.<sup>5</sup> Thus, there is no support for BIO's argument that any deviation from the standard operating procedure would constitute a due process violation. But, even assuming there were, BIO has not pointed to any action the agency made in contravention of its procedures. Nor can it.<sup>6</sup>

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<sup>5</sup> See <https://www.uspto.gov/sites/default/files/documents/SOP1%20-%20Rev.%2014%202015-05-08.pdf>.

<sup>6</sup> For this reason, BIO's citation of cases where courts have required agencies to follow their internal rules are inapposite. BIO Br. 24, n.8, citing *Morton v. Ruiz*,

First, the agency's standard operating procedure states that expanded panels are "not favored and ordinarily will not be used," but from "time to time" it "may be necessary to expand" a panel. SOP at 3. BIO argues that the USPTO has not followed this procedure because it does not "reserve[e] expanded panels for rare cases." BIO Br. 23. But BIO points to only a single instance other than this case, *Target*, where the agency has expanded a panel on this issue. BIO Br. 7; *Target Corp. v. Destination Maternity Corp.*, Case IPR2014-00508, slip op. at 3-6 (PTAB Feb. 12, 2015) (Paper 28). Thus, it is difficult to see how the agency has contravened this provision.

Second, the standard operating procedure sets forth several exemplary "[r]easons for expanding a panel." This case falls squarely within the second reason, namely to "secure and maintain uniformity of the Board's decisions" when different panels have rendered "conflicting decisions" on an issue of statutory interpretation:

Consideration by an expanded panel is necessary to secure and maintain uniformity of the Board's decisions, *such as where different panels of the Board render conflicting decisions on issues of statutory interpretation* or rule interpretation, or a substantial difference of

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415 U.S. 199, 235 (1974); *United States v. Heffner*, 420 F.2d 809, 812 (4th Cir. 1969); *Appalachian Power Co. v. E.P.A.*, 208 F.3d 1015, 1021-1023 (D.C. Cir. 2000). And in *Farrell* this Court held that a Table of Penalties was not binding on the Park Police because, among other reasons, it was a "guide" and contained "no mandatory language." *Farrell v. Dep't of Interior*, 314 F.3d 584, 591-592 (Fed. Cir. 2002).

opinion among judges exists on issues of statutory interpretation or rule interpretation.

SOP at 3 (emphasis added).

Third, the standard operating procedure contemplates that a request for an expanded panel may come from a “party in an AIA Review.” SOP at 4(C). That happened here; Broad Ocean requested an expanded panel in its request for rehearing. Appx884.

Fourth, according to the standard operating procedure, the Chief Judge “will determine when an expanded panel is to be designated.” SOP at 4(B); *see also* SOP at 5(H) (“[i]n an appropriate circumstance, the Chief Judge may designate an expanded panel consisting of any number of judges to decide a case.”). Again, that happened here; the Rehearing Decision specifically states that the Acting Chief Judge designated the expanded panel. Appx933, n.1 (“The Acting Chief Judge, acting on behalf of the Director, has designated an expanded panel in this proceeding as provided for in 35 U.S.C. § 6(c).”).

Fifth, according to the standard operating procedure, “[w]hen an expanded panel is designated (1) after entry of a decision by a merits or interlocutory panel and (2) to consider a request for rehearing of the decision of the panel, the judges on the initial panel shall, if available, be designated as part of the expanded panel.” SOP at 4(F). That, too, happened here; all three judges on the original panel were part of the expanded panel. *Compare* Appx859 *with* Appx932.

Sixth, the standard operating procedure states that the “selection of the additional judges shall be based on the technical or legal expertise of the judges.” SOP at 4(G). Again, that happened here; each of the additional judges has both technical and legal expertise. 35 U.S.C. § 6(a) (each judge “shall be persons of competent legal knowledge and scientific ability”).

Thus, BIO has not established that the USPTO deviated from its internal procedures in any respect. For that reason, BIO’s reliance on cases where agencies failed to follow their own regulations is misguided. *See Wilson v. Comm’r of Social Sec.*, 378 F.3d 541, 545 (6th Cir. 2004) (contrary to regulation, the administrative law judge failed to articulate reasons for discounting the opinion of claimant’s treating physician); *Montilla v. INS*, 926 F.2d 162, 169 (2nd Cir. 1991) (contrary to regulations, immigration judge proceeded with hearing without requiring Montilla to state on the record whether he desired representation by counsel).

Accordingly, the contentions scattered throughout BIO’s brief that “the public is in the dark,” that “neither parties nor the public know who within the PTO really decides whether to allow expanded panels, or who actually selects these panels,” and that “unspecified elements within the agency” are making the decision to institute expanded panels are all unfounded. BIO Br. 25. As detailed

above, in accordance with the SOP, the Acting Chief Judge designated the expanded panel. Appx933, n.1.

BIO's remaining arguments are undeveloped, and thus, waived. *See, e.g., SmithKline Beecham Corp. v. Apotex Corp.*, 439 F.3d 1312, 1320 (Fed. Cir. 2006) (“[M]ere statements of disagreement with the district court as to the existence of factual disputes do not amount to a developed argument.”) (citations omitted); *see also Anderson v. City of Boston*, 375 F.3d 71, 91 (1st Cir. 2004); *United States v. Dunkel*, 927 F.2d 955, 956 (7th Cir. 1991). And, on the merits, they fail. One such “argument” (in a footnote) is BIO's one-sentence statement that the agency's practices were “arbitrary.” BIO Br. 25, n.9. But a procedure undertaken at the agency to ensure consistency is the antithesis of “arbitrary” decision-making. Thus, this argument, like BIO's other arguments, is meritless.

**c. *Yissum* does not support Nidec's or BIO's arguments**

Try as they may, neither Nidec nor BIO can illustrate any inconsistency between the answers given during the *Yissum* oral argument and the Board's standard operating procedure. That is because there is none. BIO focuses on the following statements made by Director's counsel during the *Yissum* oral argument: the “USPTO thus has acted to ensure that its pronouncements remain consistent” and the “agency” would “exercise its authority to try to bring that panel's decision in line with the agency's view.” BIO Br. 8-9. From the use of the terms the

“USPTO” or “the agency,” BIO posits that “unspecified actors within ‘the agency’ apparently prompt expanded panels,” not the Chief Judge as specified in the SOP. BIO Br. 23. But the “USPTO” or “agency” acts through the Director, who has delegated her authority to designate panels to the Chief Judge. SOP at 2 (“The Director’s authority under 35 U.S.C. § 6 to designate panels has been delegated to the Chief Judge.”). And the rehearing decision itself states that the Acting Chief Judge designated the expanded panel. Appx933, n.1.

Nidec’s argument is even less clear. Nidec seems to be taking issue with a statement by the Director’s attorney that referred to the Director’s “policy” position and “interpretation *through* the Board *by* the agency.” Br. 38-39. But as *Alappat* made clear, it is the prerogative of the Director to “convene a Board panel which he knows or hopes will render the decision he desires.” *Alappat*, 33 F.3d at 1535.

And Nidec’s contention that this issue was not “squarely before” the *Yissum* Court is mistaken. Br. 51. Sony, the petitioner in *Yissum*, filed its first petition for inter partes review within one year of being served with a complaint alleging patent infringement, and a second petition after the expiration of the one-year period. Appx907. The Board instituted the second IPR and granted Sony’s motion to join it with the first inter partes review. *Id.* On appeal, the Director argued that this Court did not have jurisdiction to consider the Board’s decision to institute the

second IPR and join it with Sony's first IPR. Appx913-918. Thus, this issue was "squarely before" the *Yissum* Court, which summarily affirmed the Board's decision. *Yissum Research Dev. Co. v. Sony Corp.*, 626 F. App'x 1006 (Fed. Cir. 2015).

**C. If this Court reaches the merits, the Board did not abuse its discretion in instituting IPR2015-00762 and joining the inter partes review proceedings**

If this Court were to reach the issue, the Board did not abuse its discretion. As explained in Section V(B), this Court lacks jurisdiction to consider the challenge, and the Board acted well within its statutory authority in instituting and joining the IPRs.

Section 315(c) of 35 U.S.C. addresses the Board's authority to join IPR proceedings. That statute provides that, "[i]f the Director institutes an inter partes review, the Director, in his or her discretion, may join as a party to that inter partes review any person who properly files a petition under section 311," where the Director determines it is warranted. Thus, as the Board has consistently held, it has the discretion to join IPR proceedings, even if § 315(b) would otherwise bar the later-filed petition, and even if the petitions are filed by the same party. *See, e.g., Sony Corp. v. Yissum Research Dev. Co.*, Case IPR2013-00219 and IPR2013-00327 (PTAB Sept. 24, 2013) (Paper 15); *Target*, slip op. at 6 (Paper 28) (citing *Ariosa Diagnostics v. Isis Innovation Ltd.*, Case IPR2012-00022 (PTAB Sept. 2,

2014) (Paper 166); *Samsung Elecs. Co. v. Va. Innovation Scis., Inc.*, Case IPR2014-00557 (PTAB June 13, 2014) (Paper 10); *Microsoft Corp. v. Proxyconn, Inc.*, Case IPR2013-00109 (PTAB Feb. 25, 2013) (Paper 15); and *ABB Inc. v. Roy-G-Biv Corp.*, Case IPR2013-00282 (PTAB Aug. 9, 2013) (Paper 15)).

In interpreting § 315(c), the Board recognized “that, as written, there is some ambiguity in the statute.” *Target*, slip op. at 8. That is so because “the plain language of the statute mentions joinder of ‘a party,’ and does not mention specifically the joinder of issues.” *Id.*, slip op. at 7. Nevertheless, the statute also “states that ‘any person who properly *files a petition* under section 311’ may be joined at the Director’s discretion,” and § 311 provides that any “person who is not the owner of a patent may file” a petition. *Id.* (quoting 35 U.S.C. §§ 311, § 315(c)) (emphasis added by Board). Thus, “the statute does not exclude a person who is already a petitioner in an instituted review proceeding that is the subject of the joinder analysis,” which the Board determined “is telling.” *Id.*

The Board’s conclusion that § 315(c) can reasonably be interpreted to allow issue joinder is consistent with the way this Court analyzed a similar issue in *Promega Corp. v. Life Techs. Corp.*, 773 F.3d 1338, 1352 (Fed. Cir. 2014), *cert. granted in part*, 136 S. Ct. 2505 (2016). That case addresses whether inducement of patent infringement overseas under 35 U.S.C. § 271(f)(1) includes inducing

one's own self to infringe the patent.<sup>7</sup> *Id.* at 1352. The Court concluded that it does, emphasizing that if “Congress [had] wanted to limit ‘induce’ to actions completed by two separate parties, it could easily have done so by assigning liability only where one party actively induced *another* ‘to combine the [patented] components.’ Yet, ‘another’ is absent from § 271(f)(1).” *Id.* at 1351. So, too, here – the text of § 315(c) does not limit the ability to seek joinder to “another.”

Nidec and BIO each argue that there is no ambiguity in the statute and that its plain language only authorizes joinder of a new party. Br. 47-51; BIO Br. 10-13.<sup>8</sup> But each fails to read the statute as a whole, focusing solely on the words “join as a party” to the exclusion of the remaining language of the statute. Thus, Nidec and BIO each ignore that § 315(c) provides that “*any person* who properly files a petition” may be joined as a party. 35 U.S.C. § 315(c) (the Director “may join as a party to that inter partes review *any person who properly files a petition* under section 311.”) (emphases added).

Indeed, that is why BIO's comparison to other statutes that use the term “join as a party” is not persuasive. BIO Br. 13. None of the statutes BIO points to allows “any person” to be joined as a party. Instead, in each statute, it is the

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<sup>7</sup> The Supreme Court granted the petition for *certiorari* on a different question.

<sup>8</sup> Nidec's insistence that the statute is unambiguous is undercut by its simultaneous admission that Congress could have “addressed the matter more explicitly.” Br. 50.

surrounding language, not the “join as a party” language, that limits the categories of persons who may be joined. 15 U.S.C. § 80a-12(a)(d)(1)(I) (limiting joinder of a party to the “issuer” of certain securities); 49 U.S.C. § 46109 (limiting joinder of a party to a “person interested in or affected by a matter under consideration in a proceeding before the Secretary of Transportation . . .”); 49 U.S.C. § 1152 (limiting joinder of a party to a “person interested in or affected by” an aviation proceeding.). Here, in contrast, § 315(c)’s surrounding language allows “any person who properly files a petition” to be joined.

BIO and Nidec also ignore that § 315(c) requires that the party to be joined has to file “a petition under section 311 that the Director . . . determines warrants the institution of an inter partes review under section 314.” 35 U.S.C. § 315(c). If Congress truly intended that the scope of an inter partes review with a joined party would be cabined to the issues in the original petition, there would be no need for this requirement. Instead, the new party wishing to join an existing proceeding could simply ask to do so and refer to the original petition. Thus, the requirement for a new petition necessarily contemplates deviation in issues and demonstrates that joinder under § 315(c) is not limited to party joinder.

Likewise, BIO’s argument that “[i]nterpreting Section 315(c) to allow only new parties to join an existing proceeding preserves a non-superfluous role for Section 315(d)” is not persuasive. BIO Br. 11-12. Section 315(b) allows an

otherwise time-barred petition to be joined to an earlier filed petition. The consolidation provision in § 315(d) does not. And the fact that the Federal Rules of Civil Procedure and Federal Rules of Bankruptcy Procedure have separate rules for issue and party joinder has no relevance here. BIO Br. 17. If anything, the lack of a separate provision for issue joinder weighs in favor of the Board's interpretation of § 315 to encompass both.

In any event, this Court should defer to the Board's reasonable interpretation of the statute because the statute is ambiguous. *See Chevron*, 467 U.S. at 842-43; *see also Cuozzo*, 136 S. Ct at 2142. Until *Target*, "the Board consistently ha[d] allowed joinder of additional grounds by the same party." *Target*, slip op. at 6. On rehearing, the *Target* Board found that the original Board panel's inconsistent decision provided "a sufficient reason for expanding the panel," namely, to eliminate the inconsistency. *Id.*, slip op. at 6; *see also Alappat*, 33 F.3d at 1531-32 (holding that the USPTO has the authority to expand a Board panel to reconsider a Board decision). Thus, the USPTO has acted to ensure that its pronouncements remain consistent on this issue.

BIO's arguments that *Chevron* deference is inappropriate fail. BIO Br. 17-18. Notice-and-comment rulemaking is not required for *Chevron* deference. *Mead Corp.*, 533 U.S. at 230-31. And BIO's contention that *Chevron* deference cannot apply to the Board's adjudicatory interpretation of § 315(c) because *Skyhawk*

reached a contrary conclusion neglects to mention that the *Skyhawk* decision remained in place only because the petitioner did not seek rehearing. BIO Br. 18, citing *Skyhawk Techs.*, Case IPR2014-01485 (PTAB Mar. 20, 2015) (Paper 13). And, in any event, BIO can cite no authority for the proposition that an agency's final interpretation must be denied *Chevron* deference if the issue was previously the subject of intra-agency disagreement and debate.

And even if *Chevron* is not applicable, this Court should defer to the USPTO's interpretation of a "statute that it administers if the agency has conducted a careful analysis of the statutory issue, if the agency's position has been consistent and reflects agency-wide policy, and if the agency's position constitutes a reasonable conclusion as to the proper construction of the statute, even if we might not have adopted that construction without the benefit of the agency's analysis." *Cathedral Candle Co. v. ITC*, 400 F.3d 1352, 1366 (Fed. Cir. 2005). Each factor is present here. The Board conducted a careful analysis of the statutory issue, the USPTO has striven to ensure consistency, its position reflects agency-wide policy, and its construction of the statute is reasonable.

Adopting arguments raised by the *Target* dissent, Nidec and BIO each contend that the legislative history supports their interpretation. Br. 52-54; BIO Br. 13. But the Board in *Target* came to the opposite conclusion, namely "that the legislative history of [§ 315(c)] supports [its] view that allowing joinder of issues,

and not just the joinder of parties, was intended.” *Target*, slip op. at 10. Indeed, *Target* specifically addressed the quotation on which Nidec (Br. 52) and BIO (BIO Br. 13) rely — the “Director may allow other petitioners to join an inter partes or post-grant review.” *Target*, slip op. at 10-11. When it did so, *Target* held that that statement “does not preclude joinder of a same petitioner,” in part because of statements by Senator Kyl. *Id.*, slip op. at 10-11. In particular, Senator Kyl stated “[i]f a party seeking joinder also presents additional challenges to validity that satisfy the threshold for instituting a proceeding, the Office will either join that party and its new arguments to the existing proceeding, or institute a second proceeding for the patent.” *Id.*, slip op. at 10-11. The Board explained that this reference to join “*new arguments* to the existing proceeding” made clear that joinder was not limited to parties, but also included issues. *Id.*, slip op. at 10-11 (quoting 157 Cong. Rec. S 1376 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl)) (emphasis added by Board). Nidec counters that it is ambiguous whether Senator Kyl was referring to § 325 or § 315(c). Br. 53. But because the sentence begins with the words “[i]f a party seeking joinder,” it is reasonable to assume that it refers to the section regarding joinder, § 315.<sup>9</sup>

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<sup>9</sup> Nidec is correct that Senator Kyl’s 2008 statement relates to a different version of § 315(c) that was never enacted. Br. 53. That 2008 statement commented on S. 3600, 110th Congress, a bill whose version of § 315 did *not* include the current second sentence of § 315(b), which expressly excludes joinder petitions from the § 315(b) time bar. *See* S. 3600, 110<sup>th</sup> Congress (2008), § 5(c)

The *Target* decision determined that Congress granted the USPTO the discretion in 35 U.S.C. § 315(c) so it could “determine whether to grant joinder on a case-by-case basis, taking into account the particular facts of each case, substantive and procedural issues, and other considerations.” *Target*, slip op. at 11. The Board thus correctly concluded “that there is nothing in the language of the statute governing joinder, 35 U.S.C. § 315(c), nor anything in its legislative history, that limits joinder to the joinder of parties only. In fact, joinder of issues was specifically envisioned by Congress.” *Target*, slip op. at 12.

**1. Nidec’s allegations of prejudice are unavailing**

Nidec argues that a primary objective of the AIA was “to limit the potential for harassment of patent owners.” Br. 54. BIO chimes in, conjuring up the possibility of different unfair scenarios. BIO Br. 14-16. For instance, BIO envisions that a petitioner could wait for the institution decision and then use it as a “how-to” guide to file a second petition on grounds “that sidestep or exploit weaknesses in the patent holder’s position.” BIO Br. 14. BIO also imagines that a

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(proposing § 325(a)). It was only later in the legislative process that Congress decided that petitions joined to an existing proceeding should be exempted from the § 315(b) time bar.

petitioner could “smuggle otherwise time-barred grounds into existing IPR proceedings.” *Id.*<sup>10</sup>

These concerns are unfounded; the Board can and does exercise its discretion under 35 U.S.C. § 315(c) to deny joinder to prevent such abuses. For example, the Board has repeatedly denied institution in instances where it suspected gamesmanship. *See, e.g., Reloaded Games, Inc. v. Parallel Networks LLC*, Case IPR2014-00950, slip. op. at 4–5 (PTAB Oct. 22, 2014) (Paper 12) (denying a joinder request by the same petitioner, concluding that the petitioner was seeking “a second bite of the apple” on grounds that could have been raised in the earlier petition); *Medtronic, Inc. v. Endotach LLC*, Case IPR2014-00695, slip. op. at 5 (PTAB Sept. 25, 2014) (Paper 18) (denying a joinder request by the same petitioner based, in part, on the Board’s determination that Petitioner created its own § 315(b) bar situation); *Apple Inc. v. VirnetX, Inc.*, Case IPR2014-00485, slip. op. at 8 (PTAB Sept. 16, 2014) (Paper 18) (denying joinder request in which the proceedings involved different patents involving claims of different scope).

Moreover, there was no gamesmanship in this case. In the first proceeding, the Board denied institution based on Hideji because Broad Ocean failed to attach an affidavit attesting to the accuracy of the Hideji translation. Appx172-188. In

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<sup>10</sup> And BIO’s protest that “there is nothing to stop the PTAB from disregarding other critical statutory provisions, like the AIA’s robust estoppel provisions” (BIO Br. 28) has no foundation whatsoever.

the second proceeding, Broad Ocean raised the exact same ground of unpatentability — anticipation by Hideji — of the exact same claims, claims 1-3, 8-9, 12, 16, and 19. In considering the possibility of prejudice to Nidec, the Board noted that there was no surprise to Nidec because it had been on notice of this ground of unpatentability since Broad Ocean’s first petition had been filed. Appx939.

Likewise, concerns that joinder can unduly extend the length of the proceeding are overstated because joinder does not automatically extend the time for issuing a final written decision in the first-filed IPR. *See* 37 C.F.R. § 42.100(c) (“An *inter partes* review proceeding shall be administered such that pendency before the Board after institution is normally no more than one year. The time can be . . . adjusted by the Board in the case of joinder.”)

More fundamentally, Nidec and BIO’s concerns about harassment and quiet title ignore the fact that joinder can be sought only in cases where the patent already is the subject of a pending *inter partes* review. While Congress was concerned about the possibility of serial challenges to patents, “no legislation pursues its purposes at all costs.” *Rodriguez v. United States*, 480 U.S. 522, 525-526 (1987). Section 315(c), like the IPR statute as a whole, balances the goal of providing patent owners with protection against late or serial challenges against the public’s “paramount interest” in seeing that patent rights are “kept within their

legitimate scope.” *Cuozzo*, 136 S. Ct. at 2144. Section 315(c)’s express exemption of joinder petitions from the § 315(b) time bar simply reflects a legislative judgment that while a patentee generally should be protected against a defendant’s filing an IPR petition more than a year after litigation has commenced, the patent owner’s interest in quiet title is substantially diminished — and may be outweighed by the countervailing interest in the “authoritative testing of patent validity,” *Blonder-Tongue Labs., Inc. v. Univ. of Illinois Found.*, 402 U.S. 313, 344 (1971) — when the patent in question *already* is the subject of an ongoing IPR.

And insistence that § 315(c) must be interpreted to eliminate Board discretion to prevent “gamesmanship” ignores the gamesmanship that could result under Nidec’s reading of § 315(c). Under Nidec’s construction, a patent owner in pending litigation could simply wait until after the § 315(b) time limit has lapsed, and then assert additional claims in its infringement suit. The Board would then have no ability to allow review of those late-asserted claims via joinder, regardless of the equities. And where a patent owner has sued multiple defendants, Nidec’s proposed rule would invite strategic behavior among those defendants. Where, as here, review of an initial petition was denied for a readily correctable reason, a different codefendant (who Nidec concedes would not be barred under its construction of § 315(c)) could file the follow-on joinder petition. Incentivizing such behavior would inevitably result in disputes and demands for discovery over

whether the joinder petitioner acted as a privy of the original petitioner. To avoid such quagmires, the USPTO reasonably interprets § 315(c) joinder to be available without regard to which codefendant filed the earlier petition — a limitation that does not appear on the face of § 315(c) in any event.

In sum, the Board's reasonable conclusion that it has the discretionary authority to decide whether to permit joinder based on the particular facts of each case allows the Board to curb any unfairness by either party. Here, the Board found that Broad Ocean was not too late and joinder was not unfair to Nidec. Therefore, to the extent this Court addresses the issue, it should conclude that the Board did not abuse its discretion in instituting IPR2015-00762 and joining it with IPR2014-01121. Thus, even if this Court has jurisdiction to review the Board's decisions, it should not disturb them.

## **VI. CONCLUSION**

For the foregoing reasons, this Court should dismiss Nidec's challenge to the Board's decision for lack of jurisdiction. If this Court determines that it has jurisdiction, it should reject Nidec's challenge on the merits because the Board did not abuse its discretion in instituting IPR2015-00762 and joining it with IPR2014-01121.

Respectfully submitted,

January 12, 2017

/s/ Frances M. Lynch  
Nathan K. Kelley  
Solicitor

Scott C. Weidenfeller  
Frances M. Lynch  
Joseph Matal

Office of the Solicitor – Mail Stop 8  
U.S. Patent and Trademark Office  
P.O. Box 1450  
Alexandria, VA 22313-1450  
571-272-9035

*Attorneys for the Director of the  
U.S. Patent and Trademark Office*

**RULE 32(a)(7)(C) CERTIFICATE OF COMPLIANCE**

Pursuant to Federal Rule of Appellate Procedure 32(a)(7), the undersigned certifies that the foregoing **BRIEF FOR INTERVENOR – DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE** complies with the type-volume limitation required by the Court’s rule. The total number of words in the foregoing brief, excluding the parts exempted by Federal Rule of Appellate Procedure 32(a)(7)(B)(iii) and Federal Circuit Rule 32(b), is 10,260 as calculated using the Word® software program.

/s/ Frances M. Lynch  
Frances M. Lynch  
Associate Solicitor  
U.S. Patent and Trademark Office

**CERTIFICATE OF SERVICE**

I hereby certify that on this 12th day of January, 2017 the foregoing BRIEF FOR INTERVENOR – DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE was electronically filed using the Court’s CM/ECF filing system. Counsel of record were electronically served via e-mail per Fed. Cir. R. 25(e).

/s/ Frances M. Lynch  
Frances M. Lynch  
Associate Solicitor  
U.S. Patent and Trademark Office  
Mail Stop 8  
P.O. Box 1450  
Alexandria, Virginia 22313