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CASE NOTE ON THE FEDERAL CIRCUIT COURT OF APPEALS' ANALYSIS REGARDING
THE SCOPE OF REVIEW OF THE POST-GRANT REVIEW BY THE PATENT TRIAL AND
APPEAL BOARD IN THE CASE OF VERSATA DEVELOPMENT GROUP, INC. AND SAP AGSahar Hafeez^{a1}

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Introduction

One of the fundamental challenges in patent law arises from the difficulties associated with defining the types of inventions that can be patentable. Patents confer exclusive, time-limited property rights to patent holders for their inventions, with the underlying rationale to encourage or incentivize innovation. Patent holders are empowered to exclude others from receiving the benefit of their inventions, and the public interest can be implicated as a consequence. As is the case with other property rights, when the benefits to the public are sufficiently compelling, the government intervenes by, for example, taking private property for public use,¹ or deeming a previously-granted claim to an invention to be no longer patentable.² Given the countervailing considerations, it is hard to strike the appropriate balance between the claim of the individual inventor and the public interest at large. This task is particularly difficult in the context of intellectual property rights, which are inherently less tangible than real property rights.

***218** The genesis of the transitional administrative review program for covered business method (“CBM”) patents provides an example of these challenges. As discussed in this Article, the program was created to provide a mechanism for alleged patent infringers to obtain post-grant administrative review of those CBM patents that the U.S. Supreme Court deemed to be too “abstract”³ to be patentable. The program provides retroactive administrative review, with the possibility of invalidation, of previously-granted patents.⁴ In other words, the administrative review process empowers the agency to deprive an individual of a claim of right. In view of the longstanding tradition that courts in this country decide “questions of right,”⁵ the CBM review program implicates significant issues about whether, and the extent to which, judicial review is available for the determinations made by the agency under this program.

This issue arose in the context of *Versata Development Group Inc. (Versata) v. SAP America Inc., SAP AG* (collectively, SAP),⁶ which involved the first CBM review proceeding conducted by the Patent Trial and Appeal Board (“PTAB”) of the U.S. Patent and Trademark Office (“USPTO”).⁷ This Article presents and analyzes the scope of judicial review of decisions made by the PTAB in the context of *Versata*, in order to identify issues in this case of first impression and to propose alternative reasoning, which could inform the analysis of similar issues arising with respect to this case⁸ and prospective cases.

This Article proceeds as follows. Part I presents background information on the CBM review proceeding, other review proceedings, and the applicable judicial reviewability provisions. Part II summarizes background information on *Versata* and the Court of Appeals for the Federal Circuit’s (“CAFC”) analysis in the case. Part III provides an in-depth analysis of the presumption of judicial review issue in order to illustrate that the outcome, with respect to the circumstances in *Versata*, was sound and consistent with applicable jurisprudence. ***219** This Part proceeds to identify issues with the reasoning in *Versata* and proposes alternative reasoning, which could help ensure that prospective cases produce sensible outcomes, taking into

account the applicable legal framework and policy considerations. This Article concludes by highlighting the implications of the jurisprudence of the *Versata* case.

I. A Brief Background on Covered Business Method Patent Reviews and on the Reviewability Provisions in the Leahy-Smith America Invents Act

The Leahy-Smith America Invents Act (“AIA”),⁹ which was enacted on September 16, 2011, established three administrative trial proceedings¹⁰ conducted by the PTAB that allow petitioners to challenge the validity of patents, with the goal of improving the quality of the patent system. These consist of inter partes review (“IPR”),¹¹ post-grant review (“PGR”),¹² and *220 the transitional PGR program for CBM patents, which authorizes review of certain CBM patents.¹³

In 1998, the CAFC broadened the eligibility for patenting business method patents in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*¹⁴ This decision led to a proliferation of patent applications claiming patent-able subject-matter for business practices, such as patents for the “printing of marketing materials on billing statements” or “interactive fund-raising across a data packet transferring computer network.”¹⁵ In 2010, the U.S. Supreme Court narrowed the eligibility for patenting business method patents on the basis that certain business method patents are too “abstract” to be patentable.¹⁶ Between 1998 and 2010, the USPTO issued a number of business method patents that could subsequently be invalidated on the basis of the 2010 Supreme Court decision.¹⁷ As a consequence, owners of business method patents sued parties on the basis of alleged infringement of business method patents and courts were burdened with the backlog of claims by alleged infringers regarding the invalidity of such patents.¹⁸ Senator Schumer, highlighting the urgency of the issue, noted that, due to the high cost and lengthy duration of litigation, parties that had been sued for infringing invalid business method patents were forced to pay millions of dollars in settlements.¹⁹

In order to respond to these concerns, Congress created the CBM review mechanism (provided in § 18 of the AIA), with the policy objective of providing a cheaper and faster alternative for challenging the validity of business method patents and to reduce the burden on courts dealing with the backlog claims regarding the validity of business method patents.²⁰ CBM patent reviews function as PGRs²¹ (with certain exceptions), and proceed as follows. A petition for this proceeding can only be filed by a “person or the person's real party in interest or privy [that] has been sued for infringement of the patent or has been charged with infringement under that patent.”²² A petitioner can challenge the validity of CBM patents on the basis of the *221 invalidity of the patent or any claim or any ground specified as a condition for patentability,²³ or any claim for failure to comply with the specification requirements of the written description of the invention, with certain exceptions.²⁴ A CBM patent is statutorily defined as “a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service.”²⁵ Patents for technological inventions are statutorily excepted from the definition.²⁶ The statute does not define the term “technological invention;” Congress delegated that task to the USPTO.²⁷ A CBM patent review must be completed within twelve months (extendable to eighteen months with good cause).²⁸ The Director (of the PTAB)²⁹ may only institute a review if he or she “determines that the information presented in the petition ... demonstrate[s] that it is more likely than not that at least 1 of the claims challenged ... is *222 unpatentable.”³⁰ The transitional CBM program has an eight-year life, with an expiration date of September 16, 2020.³¹ Congress deemed this period to provide sufficient time for review of patents issued under the broad standard set by the CAFC in the *State Street Bank* case.³²

CBM review proceedings, like the IPR and PGR proceedings, consist of two stages. The first is the initial decision by the PTAB to institute review in response to a petition.³³ In making this decision, the PTAB must determine whether the challenged patent

is a CBM patent³⁴ and whether the threshold for decisions to institute the review is met (i.e. whether it is more likely than not that at least one of the challenged claims is unpatentable).³⁵ After the Director decides to institute a review, the review proceeds to a trial before the PTAB, which concludes with a final written decision.

With respect to the availability of review, the ALA provides that “[t]he determination by the [PTAB] whether to institute a [PGR] under [the institution of PGR] section shall be final and nonappealable”;³⁶ and that a party to the PGR may appeal the final written decision of the PTAB to the CAFC.³⁷ Based on the language of the reviewability provisions of the ALA, it is fairly clear that PTAB's decision to institute a CBM review is barred from immediate appeal and that the PTAB's final written decision is appealable. However, it is less clear whether, as part of its review of a final written determination by the PTAB, the CAFC may review the PTAB's determination at the institution stage that the patent under review qualifies as a CBM patent. In other words, the scope of the permissible judicial review is unclear. This precise issue was presented on a first impression basis in the *Versata* case.³⁸

II. *Versata Development Group, Inc. v. SAP America, Inc. and SAP AG*

A. Background

On April 20, 2007, prior to the enactment of the ALA, Versata and others sued SAP in the District Court for the Eastern District of Texas for infringement *223 of the U.S. Patent No. 6,553,350 (“350 patent”). The case proceeded to a jury trial, resulting in a finding of infringement and an award for damages.³⁹ The district court upheld the jury's verdict for infringement of the '350 patent, but reversed other findings unrelated to the '350 patent, resulting in a second jury trial for damages.⁴⁰ The district court subsequently upheld the jury's award for damages.⁴¹ SAP appealed the final district court judgment to the CAFC, which affirmed the infringement verdict and damages award, but vacated the permanent injunction, and remanded to the district court to enter an order consistent with the CAFC opinion.⁴²

On September 16, 2012 (the day the transitional program for CBM patents went into effect), SAP petitioned the PTAB to institute a CBM proceeding of the '350 patent.⁴³ On January 9, 2013, the PTAB decided to institute a CBM review on the following bases: (1) the '350 patent was a CBM patent within the meaning of the ALA; (2) the patent was not a technological invention (a statutorily-stated exception to the definition of a CBM patent); (3) 35 USC § 101 (which specifies the types of inventions that are patentable) is an applicable basis to challenge patents under these proceedings; and (4) “it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”⁴⁴ On June 11, 2013, the PTAB issued its final written decision, finding the challenged claims to be unpatentable.⁴⁵ After unsuccessfully seeking rehearing of the final written decision before the PTAB, Versata appealed the final written decision to the CAFC, resulting in this case.⁴⁶

B. Summary of the Court's Analysis of the Scope of Judicial Review in *Versata*

The CAFC held that, as part of its review of the final written determination, the court had the authority to also review the PTAB determination that the '350 patent qualifies as a CBM patent at the institution stage.⁴⁷

*224 The CAFC initially clarified that the merits of the final written decision by the PTAB are on appeal and that it is not called upon to review the PTAB's determination to institute a CBM review, noting that judicial review is barred in the latter circumstances.⁴⁸

The CAFC proceeded to note three cases that construed a parallel statutory review bar under § 314(d) (which applies to IPR proceedings) and arose in the context of interlocutory appeals of PTAB decisions on whether to institute IPR proceedings.⁴⁹

In two of these cases, the PTAB declined to institute the proceedings,⁵⁰ and, in one case, it granted the petitioner's request to institute the review.⁵¹ In each case, the court held that immediate review of a decision to institute the proceeding is not available.⁵² Notably, in one case, the court distinguished the question of the availability of *immediate* appeal, which it was deciding, from the question of review (such as an appeal from final written decisions), which it was not deciding.⁵³ These cases clarify that the CAFC has narrowly decided that PTAB's decision to institute IPR proceedings, and, by analogy, CBM proceedings, is not immediately reviewable, but did not foreclose the possibility of reviewing such decisions by the PTAB in appeals from final written decisions.⁵⁴

The CAFC also commented on two other decisions, which arose in the context of immediate *interlocutory* appeals from district court decisions, on whether to enter a stay of previously-commenced litigation relating to a patent while trial by the PTAB involving a CBM review proceeding of that patent was underway.⁵⁵ In one case, the CAFC reversed the denial of the stay, noting that the district court had erred to the extent that it had reviewed the merits of the PTAB's decision to institute review.⁵⁶ In another case, in which *225 the appellant challenged the legal grounds on which the PTAB instituted CBM review, the CAFC affirmed the district court's decision to enter a stay, adding that “[a]ppellants might potentially challenge [the PTAB's authority to conduct CBM review] in the context of a direct appeal of the PTAB's final decision.”⁵⁷ These cases (arising in different factual contexts from those at issue here) reinforce the view that courts are precluded from reviewing the PTAB's decision to institute CBM reviews prior to the consummation of the trial, and can provide support for the position that judicial review of such decisions is available after the review has completed.

To determine the reviewability issue in *Versata*, the court stated that two related questions must be answered: “*first*, does the § 324(e) judicial review bar permit judicial review, when conducted with regard to the final written decision, of PTAB compliance with any requirement that involves the ultimate authority of the PTAB to invalidate a patent.” Second, if yes, does the restriction of § 18 (the provision providing for the transitional CBM review program) on CBM patents constitute a limit on ultimate invalidation authority.⁵⁸ The CAFC answered both questions in the affirmative.⁵⁹

With respect to the first question, the CAFC stated that the § 324(e) bar on judicial review of determinations about *whether to institute* a CBM review, “does not by its terms apply to limits on the authority to enter a ‘final written decision’ invalidating a patent.”⁶⁰ The CAFC opined that institution and invalidation are distinct actions, which remain distinct when, on the one hand, the agency decides certain issues at the institution stage and at the final decision stage and, on the other, when the agency follows a statutory directive to conclusively decide an issue determining “final-action authority” at the institution stage.⁶¹

The CAFC further reasoned that reading the language of § 324(e) to preclude judicial review of “whether the PTAB exceeded statutory limits on its authority to invalidate” would be inconsistent with the “tradition of judicial review of government actions that alter the legal rights of an affected person [.]”⁶² In this regard, the court cited Supreme Court precedent asserting that “[a]n agency may not finally decide the limits of its statutory power”⁶³ and *226 emphasizing “the strong presumption that Congress intends judicial review of administrative action[.]”⁶⁴ More specifically, the CAFC stated that, under the case law, “when doubt about congressional intent exists, the general presumption favoring judicial review of rights-changing administrative action” controls, which must be overcome by “clear and convincing” evidence.⁶⁵ The CAFC concluded that “nothing in § 324(e) meets the high standard for precluding review of whether the PTAB has violated a limit on its invalidation authority” under the CBM review proceedings.⁶⁶

With respect to the second question, in finding that the restriction of § 18 to CBM patents constitutes a limit on ultimate invalidation authority, the CAFC reasoned that the transitional statutory regime was created for the purpose of providing a channel to review suspect patents that qualify as CBM patents.⁶⁷ As its name suggests, the CBM review proceeding is *only*

available for CBM patents.⁶⁸ As such, in the CAFC's view, the requirement that the patent at issue be a CBM patent "defines the PTAB's authority to invalidate" under this regime.⁶⁹

Finally, in rejecting the USPTO's apparent argument that judicial review is only available for matters the PTAB is statutorily directed to decide (which, in this case, is the PTAB's decision with respect to the patentability of a challenged claim⁷⁰), the CAFC stated that the "statutory description of an agency's decisional duties does not necessarily define the scope of an appellate courts ultimate merits considerations."⁷¹ Also, with respect to pre-AIA case law involving patent reexamination proceedings, the CAFC noted that the jurisprudence made clear that "limitations on the scope of reexamination authority were reviewable upon the final decision even though the USPTO considered such limitations solely at the initiation stage and initiation itself was long held to be unreviewable."⁷² In light of the apparent similarity between the judicial review provisions in the statute preceding the ALA and those in the ALA, the pre-AIA case law can provide support for the position that Congress did not intend for the ALA to preclude judicial review of the PTAB's decision to institute a CBM review upon the issuance of the final written decision.

***227 III. Sound Outcome, Problematic Reasoning**

This Part shows that the outcome with respect to the circumstances in the *Versata* decision was sound and consistent with the applicable jurisprudence. However, as discussed below, the test applied by the courts (that the statutory review bar permits judicial review, after a final written decision by the PTAB, of compliance with any requirement that "involves the ultimate authority of the PTAB to invalidate a patent")⁷³ can generate perverse results. This Part concludes with proposed reasoning, which could help ensure that prospective cases related to CBM review proceedings produce sensible outcomes, taking into account the applicable legal framework and policy considerations.

As discussed in Part II.B, the *Versata* opinion analyzed the statutory language, relevant cases, and the presumption of judicial review. As stated above, the cases cited by the CAFC with regard to the parallel statutory review bar under IPR, the district court cases involving interlocutory appeals of decisions to enter a stay of previously-commenced litigation, and the pre-AIA case law, are not inconsistent with the decision⁷⁴ and can provide support for the position advanced by the CAFC in this case. The proceeding Section provides an in-depth analysis of the presumption of judicial review issue, taking into account the statutory language and focusing on the cases cited by the majority and dissenting opinion in *Versata*, in order to show that the majority's finding was consistent with the substance of the analysis in the cases.

A. Presumption of Judicial Review Analysis

As stated in Part II.B., the CAFC stated that "when doubt about congressional intent exists, the general presumption favoring judicial review of rights-changing administrative action" controls, which must be overcome *228 by "clear and convincing" evidence.⁷⁵ In this regard, the Supreme Court has maintained that "[f]rom the beginning 'our cases [have established] that judicial review of a final agency action by an aggrieved person will not be cut off unless there is persuasive reason to believe that such was the purpose of Congress.'"⁷⁶ Indeed, in *Marbury v. Madison*,⁷⁷ the Supreme Court asserted that "[t]he very essence of civil liberty certainly consists in the right of every individual to claim the protection of the laws[.]"⁷⁸ Recently, the Supreme Court noted that "Congress rarely intends to prevent courts from enforcing its directives to federal agencies."⁷⁹

Courts have found that judicial review of an agency determination is not precluded in cases in which an agency, in the absence of an applicable statutory directive, interprets a term not defined by Congress;⁸⁰ the statute can be read to limit the types of matters an agency is authorized to decide;⁸¹ the statute provides manageable criteria from which to review an agency's compliance with the statutory requirements;⁸² and the statute can plausibly be read to bar review of only factual determinations

and permit review of whether there has been, inter alia, an error “going to the heart of the administrative determination.”⁸³ On the other hand, courts have found that judicial review is precluded if Congress employs “unambiguous and comprehensive” language to this effect;⁸⁴ the statute contains a finality clause and there is a history of *229 matters pertaining to the subject matter of the statute to be unreviewable;⁸⁵ the statute strictly limits and defines the contours of judicial review;⁸⁶ and it is clear from the structure of the statute that Congress only intended for certain individuals to be entitled to review and precluding others from review will not threaten the objectives of the statute.⁸⁷ In several of these cases, as discussed below, the courts took into account the legislative history and the effects of preclusion of judicial review.

Here, the ALA review provisions do not preclude judicial review, in the context of an appeal of a final written decision by the PTAB, of the PTAB's determination at the institution stage that the patent under review qualifies as a CBM patent because (1) the statute can be read to not preclude such review; (2) the legislative history can provide support for this position; (3) the ALA provides manageable standards of review; (4) the consequences of preclusion are substantial; (5) the availability of judicial review would not undermine the objectives of the CBM review proceedings or those of the statutory scheme; and (6) the ALA review provisions are distinct from those under which courts have found preclusion.

i. The Statute Can Be Read to not Preclude Review

In *Bowen v. Michigan Academy of Family Physicians*,⁸⁸ the Supreme Court found that Congress had not barred judicial review of an administrative regime promulgated under Part B of the Medicare Program, which reviews the amount of benefits paid to individuals, noting that the fact that the statute explicitly authorized administrative and judicial review of Part A of the Program does not “impliedly foreclose[] administrative or judicial review” of Part B,⁸⁹ and that the statute did not speak to “the *method* by which such amounts are to be determined.”⁹⁰ In *Lindahl v. Office of Personnel Management*,⁹¹ the Supreme Court found that a statute, which provides that an agency shall determine questions of disability and dependency and that such decisions shall be “final and conclusive and are not subject to review,” bars review only of factual determinations,⁹² but permits review of whether there has been a “substantial departure from important procedural rights, a misconstruction *230 of the governing regulation, or some like error ‘going to the heart of the administrative determination.’”⁹³ In making this determination, the Court noted the substantial preclusive effect of finding a bar on judicial review.⁹⁴

Here, as stated above, the applicable statutory review bar under § 324(e) provides that the PTAB's determination to institute a PGR “under the [institution of PGR] section shall be final and nonappealable.” The language appears to qualify the application of the finality language to determinations made at the institution stage of the two-stage proceeding. The reasoning in *Bowen* can be applied in these circumstances by analogy, as there, like here, Congress created a mechanism through which individuals can obtain administrative review of a previously granted right or benefit.⁹⁵ Following the reasoning in *Bowen*, the fact that judicial review is not available at the initial stage does not imply that such review is foreclosed at the final stage of the two-step proceeding. Also, following the textual interpretation of the statutory language employed by the court in *Bowen*, the statutory language of the ALA simply does not speak to the reviewability of decisions to institute reviews upon issuance of the final written decision.

Moreover, § 329 provides that “[a] party dissatisfied with the final written decision of the [PTAB]” may appeal the decision to the CAFC.⁹⁶ A party may be dissatisfied with the final written decision for a number of reasons, including whether the PTAB correctly determined, at the initial stage, whether the challenged patent qualifies as a CBM patent. In making the initial determination in the context of a CBM review, the PTAB determines whether the applicable threshold for instituting review (that at least one or more claims is unpatentable) has been satisfied⁹⁷ and whether the challenged patent falls under the definition of a CBM patent.⁹⁸ An important difference between the two determinations is that, while the first is revisited and examined over the course of the proceeding, the second (which carries significant legal consequences because a CBM review is not

available for patents other than CBM patents) is conclusively determined at the initial stage.⁹⁹ If a party is dissatisfied with the PTAB's determination on the patentability of the claim(s) at issue, the party has the ability to challenge that determination in court.¹⁰⁰ On the other hand, if a party is dissatisfied with PTAB's determination to qualify a patent as a CBM patent, the party would be precluded from challenging that determination, simply because the decision was made at the initial stage of the proceeding.¹⁰¹

The Court's finding in *Lindahl*--that limited review was available under a statute that, by its terms, appeared to bar review¹⁰²--reinforces the importance of allowing some form of review to ensure that the agency has not committed a grave error. Here, by contrast, the statutory review bar does not apply by its terms to limit such review. In the context of CBM reviews, an agency could substantially misconstrue the statutory definition of CBM patents or the regulations issued to define technological inventions;¹⁰³ such errors could have particularly preclusive effects on parties to the CBM review as a patent's qualification as a CBM patent forms the very basis of the review. In view of these consequences, the rationale for justifying the availability of judicial review in the *Lindahl* case can be applied here to justify a finding that review of whether the '350 patent qualifies as a CBM patent, in the context of a review of the final written decision, is not precluded by the statute.

ii. The Legislative History Can Provide Support For the Availability of Review

In *Bowen*, the Court noted that, according to the legislative history, Congress created the administrative review regime "to avoid overloading the courts with trivial matters."¹⁰⁴ In *Lindahl*, the court noted that the fact that Congress amended the statute to explicitly provide for judicial review in certain cases did not evince intent to preclude review in other cases, because, in the debate over the amendment, members of Congress noted that the limited form of review described above was available, thus obviating the need for the amendment.¹⁰⁵

Here, the legislative history is relevant in part because, as stated above, the statute is unclear on its terms with respect to the availability of review, in the context of final written decisions, of decisions to institute CBM reviews. On balance, the vast debate on the CBM review provisions during the legislative deliberation of the ALA. can plausibly be read to support the position that Congress intended for the availability of review in the circumstances at issue *232 in *Versata*. However, as discussed below, there are reasonable arguments to support both sides of this position.

On the one hand, the congressional record provides that the CBM review program "creates an inexpensive and speedy alternative to litigation [.]"¹⁰⁶ It would be inefficient, and would thus undercut the objective of providing a speedy alternative, for a court to, upon the issuance of the final decision, reverse the PTAB's finding, at the initial stage, that the challenged patent qualifies as a CBM patent. Also, unlike the claims at issue in the *Bowen* case regarding the sufficiency of benefits received,¹⁰⁷ claims regarding CBM reviews do not seem to be minor or trivial; and unlike the legislative history of the statute in question in the *Lindahl* case,¹⁰⁸ the legislative history here does not illuminate Congressional intent with regard to the availability of judicial review.¹⁰⁹

On the other hand, however, in the legislative history pertaining to § 18, members of Congress repeatedly emphasized the frequency with which CBM patents were being litigated and the resultant necessity to create an administrative regime to address the issue. Representative Goodlatte noted that such patents are "litigated at a rate 39 times greater than any other patents[.]"¹¹⁰ and Senator Cantwell stated that "more than half--of all the business method patent litigation" occurs in the Eastern District of Texas.¹¹¹ These circumstances could justify the creation of an administrative review regime in order to reduce the burden on courts, while maintaining some form of judicial review (for example, review of the manner in which the PTAB interpreted the definition of a CBM patent) of the initial determinations upon the final decision stage. This position can be buttressed by the fact that the definition of CBM patents was a topic of great controversy during the deliberations.¹¹² Several members of

Congress reiterated their understanding that the CBM review program is to be narrowly targeted to address the issue of suspect patents in a particular industry, while other members of Congress insisted that the definition of CBM patents is not meant to be industry-specific.¹¹³ This exchange indicates *233 that the manner in which the definition of CBM patents is interpreted is relevant to determining consistency with Congressional intent.

Finally, as stated above, the pre-AIA case law apparently allowed review of initial determinations upon the issuance of the final decision, despite the prohibition against review of initial determinations. The fact that the reviewability provisions of the AIA were not a serious topic of debate in the legislative history evinces that Congress did not intend to change the operability of the provisions.

On balance, the legislative history can be read to provide support for the availability of review.

iii. The AIA Provides Manageable Standards of Review

In *Mach Mining, LLC v. EEOC*,¹¹⁴ the Supreme Court held that courts have authority to review whether the Equal Employment Opportunity Commission (“EEOC”) has fulfilled its statutory obligation to attempt conciliation prior to filing suit for discrimination.¹¹⁵ The Court noted that, although Congress provided the EEOC with broad latitude, it did not deprive courts of “judicially manageable” criteria to review compliance with the statutory requirements, as courts can review whether the EEOC has made any attempt at all to conciliate and whether the EEOC has complied with the statutorily specified methods for conciliation.¹¹⁶

Here, like the statute in question in *Mach Mining*, the statutory definition of CBM specifies the kinds of inventions that fall under the statute.¹¹⁷ In view of the similarity, it can be argued that the AIA provides manageable criteria to assess the agency's compliance with the statute. Furthermore, it is reasonable to maintain that the EEOC has broader latitude under the statute in question in the *Mach Mining* case than PTAB does under § 18 of the AIA.

iv. The Consequences of Preclusion of Judicial Review are Substantial

In *Lindahl*, the Court noted that finding complete preclusion of judicial review of the administrative procedure would be particularly problematic in circumstances in which a petitioner challenges the standard the agency employed in order to make its determination.¹¹⁸ Notably, in *Mach Mining*, the Supreme Court added that, absent judicial review, “the [agency's] compliance with the law would rest in [its] hands alone” and that, notwithstanding an *234 agency's good-faith, “legal lapses and violations occur ... especially so when they have no consequence.”¹¹⁹

Here, similarly, the effects of preclusion of judicial review can be substantial and problematic. In the event that the PTAB interprets the CBM definition in an overly broad manner (thereby, deciding to institute more CBM reviews than intended) and its determination in this regard is precluded from review, patent owners with legitimate inventions could be deprived of the benefit of their inventions, thus negatively impacting the incentive to innovate.¹²⁰ Conversely, in the event that review is precluded and PTAB interprets the CBM definition in an overly narrow manner (thereby, deciding to institute fewer CBM reviews than intended), suspect or invalid patents will remain issued, thus depriving the public of the benefit of using the patented methods and burdening alleged infringers with expensive fines. Echoing the concern articulated by the court in *Mach Mining* regarding unpoliced legal lapses, the effect of preclusion would be significant.

v. The Availability of Judicial Review Would not Undermine the Statutory Objectives

In *Block v. Community Nutrition Institute*,¹²¹ the Supreme Court found that individual consumers are precluded by statute from obtaining judicial review of the marketing orders (which set the “minimum prices that handlers ... must pay to producers ... for ... milk products”¹²²) in question. The Supreme Court noted that that it was clear from the statutory structure that Congress intended for judicial review to be confined to suits brought by handlers, because such parties were explicitly entitled to judicial review only after exhausting administrative remedies;¹²³ the statute in question contemplated a cooperative scheme among the agency, producers, and handlers, under which consumer participation was not contemplated; authorizing review for consumers could generate evasive results; and precluding consumers from review would not threaten the objective of the statute as handlers have similar interests as those of consumers.¹²⁴

While, unlike patent grants, marketing orders do not confer a right or a privilege to individual consumers,¹²⁵ the principles advanced in *Block* regarding *235 the availability of judicial review can be applied here. As stated above, it is not clear whether such decisions are barred from review in the context of a review of a final written decision. The structure of the three tracks for reviewing patents under the AIA can be probative of congressional intent for allowing eligible individuals to avail themselves of those procedures. An attempt to evade the carefully structured procedures and to obtain review in other fora could be deemed to be inconsistent with the objectives of the statute. The question presented in *Versata* does not implicate such circumstances.

Furthermore, in light of the above discussion related to the effects of preclusion, precluding judicial review could threaten the objective of the administrative review regimes, which is to improve the quality of the patent system.¹²⁶

vi. The AIA Review Provisions are Distinct From Those Under Which Courts Have Found Preclusion of Judicial Review

In *Lindahl*, the Supreme Court noted that Congress employs “unambiguous and comprehensive”¹²⁷ language, that is, when describing agency action, “final and conclusive for all purposes and with respect to all questions of law and fact[,]” when it intends to preclude judicial review.¹²⁸ In *Collins v. United States*,¹²⁹ the Court found that judicial review under a statute, which provided that the settlement of certain claims was “final and conclusive[,]”¹³⁰ was precluded on the basis of the finality language and the long history of finding settlements of claims with military personnel to be barred from judicial review.¹³¹ Also, in *Harris v. Shinseki*,¹³² the Court found that judicial review of factual determinations was “strictly limited” by statute, which provided that a court “may not review challenges to factual determinations or challenges to a law or regulation as applied to the facts of a particular case.”¹³³

Under § 324(e), by contrast, the language of the applicable statutory review bar is not as comprehensive or specific as that in the statutes in question in the *Lindahl* and *Harris* cases.¹³⁴ Also, while language of the statute in question in *236 the *Collins* case can be considered to be similar to that in § 324(e),¹³⁵ unlike in *Collins*, there is apparently no history of barring appellate review of institution decisions by the agency after issuance of the final decision.¹³⁶ To the contrary, as discussed above, pre-AIA cases provide support for the position that such review was available in the context of reviews of final decisions.¹³⁷

In sum, the presumption of judicial review has not been rebutted in these circumstances, and the outcome in the majority opinion was sound.

B. Issues with the Court's Reasoning and a Proposed Alternative

While the outcome in the *Versata* case is sensible, the reasoning of the case, as defined by the test employed by the court, is problematic, because, in applying it, courts can generate ill-reasoned results. This subsection presents an alternative that would address the issues that could result from application of the CAFC's reasoning in prospective cases.

As discussed in Part II.B, in its question presented, the CAFC asked whether the applicable judicial review, “when conducted with regard to the final written decision, of PTAB compliance with any requirement that involves the ultimate authority of the PTAB to invalidate a patent[,]”¹³⁸ and answered this question in the affirmative on the basis that the presumption of judicial review was not rebutted.¹³⁹ The CAFC proceeded to ask whether the restriction of § 18 to CBM patents constitutes a limit on ultimate invalidation authority, answering this question in the affirmative on the basis that the requirement that the patent at issue be a CBM patent “defines PTAB authority to invalidate” under this regime.¹⁴⁰ In other words, the reasoning can be described as follows: in the context of its review of the final written decision by the PTAB, a court may review any requirement involving ultimate authority to invalidate a patent, and that the restriction of a review proceeding to a certain type of patent constitutes such a limit on ultimate authority to invalidate.

The court's reasoning is problematic because the definition of “ultimate authority to invalidate” is unclear and can be applied in an overly broad *237 manner. The dissenting opinion noted that the *Cuozzo* opinion¹⁴¹ cannot be reconciled with the holding in the *Versata* case.¹⁴² The dissent reasoned that, in *Cuozzo*, the appellant alleged that the PTAB acted inconsistently with the requirement to institute an IPR review on the basis of information presented in the petition by granting review “on the basis of prior art not ‘presented in the petition.’”¹⁴³ In the dissent's view, it follows that, such error “violated an indirect limit on [PTAB's] ultimate authority to invalidate” as the PTAB was statutorily barred from instituting that review.¹⁴⁴ The dissenting opinion noted that, under the majority's language, the fact that the error was cured during the course of the proceeding is a non-sequitur because the PTAB was barred from instituting that proceeding at the outset.¹⁴⁵ Indeed, following this reasoning, it is plausible and conceivable that any statutory requirement that must be satisfied to institute a proceeding, such as procedural or sufficiency of pleading requirements, can be found to fall within PTAB's ultimate authority to invalidate, because, under the terms of the statute, the PTAB can only invalidate patents for which it institutes reviews in a manner that is consistent with the statute.¹⁴⁶ Such a result could have the effect of rendering the applicable statutory review bar superfluous.

In order to address this issue, the CAFC could view the decision by PTAB to institute a CBM review as an act similar to a final agency action, meriting review under the Administrative Procedure Act.¹⁴⁷ A final agency action is one which will not be revisited and from which “legal consequences will flow.”¹⁴⁸ For example, in *Bennett v. Spear*,¹⁴⁹ the Court found that an opinion and a statement issued by the Fish and Wildlife Service which marked the “consummation of [its] decisionmaking [sic] process”¹⁵⁰ and specified the terms by which agencies must comply in order to ensure that their actions are not “likely to jeopardize a listed species or adversely modify its critical habitat.”¹⁵¹ Similarly, the PTAB's decision to institute CBM review on the basis that, inter *238 alia, a patent qualifies as a CBM patent is not reconsidered at a later stage of the proceeding.¹⁵² Also, this decision carries legal consequences, because the transitional CBM review mechanism is only available for CBM patents;¹⁵³ therefore, the accuracy of the agency's determination in this respect at the institution stage necessitates the continuation of, or forms the very basis for, the trial proceeding.

If the agency were to treat PTAB's decision to institute a CBM review as a final agency action, meriting review, then it could make logical sense, from an efficiency standpoint, for the CAFC to review the decision upon the institution stage, rather than the final written decision stage. Indeed, it would be inefficient and contrary to one of the objectives of the CBM review proceeding, to complete a trial process, only to be reversed on the basis of a “final” decision made at the institution stage of the proceeding.

Notably, however, the applicable statutory review bar provides that decisions at the institution stage are “final and nonappealable.”¹⁵⁴ In order to find that the decisions at the institution stage, with respect to CBM reviews, can be immediately reviewed, notwithstanding the review bar, a court would have to find that the statute is unclear, or congressional intent is unclear, and the presumption of judicial review is not rebutted.¹⁵⁵ A court could find that some form of review is not precluded by the review bar based on the following reasons. First, the statutory review bar does not apply to CBM reviews directly; instead it

applies by incorporation.¹⁵⁶ Second, the review bar, which is found in the PGR section, provides that decisions made by the PTAB *under the applicable section* shall be “final and nonappealable.”¹⁵⁷ The section refers to the thresholds for authorizing PGR and to timing and notice requirements.¹⁵⁸ A CBM review is distinct in that it only applies to patents that can be defined as CBM patents within the meaning of the ALA;¹⁵⁹ as such, the institution decision is based on the PTAB's determination with respect to the threshold requirement and with respect to the patent's qualification as a CBM patent, meriting review under the program in the first place.¹⁶⁰ *239 The statutory review bar does not explicitly state the second point because it pertains to PGRs and applies to CBM reviews through incorporation by reference.¹⁶¹ Third, the statutory language is not the type of “unambiguous and comprehensive”¹⁶² language that Congress has employed in statutes in which preclusion was found.¹⁶³ For example, the review bar does not provide that the agency decisions shall be “final and conclusive for all purposes and with respect to all questions of law and fact; and ... not subject to review by another official of the United States or by a court by mandamus or otherwise.”¹⁶⁴ Fourth, as discussed above, in Part III(A)(d), the consequences of preclusion are substantial. Those consequences apply regardless of whether the PTAB's decision with respect to the definition of a CBM patent is reviewed at the final or institution stage.

In sum, under the applicable legal framework provided in this case of first impression, there are persuasive legal and policy-based reasons (such as efficiency considerations) to find that some form of immediate review of PTAB's decision to institute CBM patents is not precluded by the statutory review bar. The CAFC could find that questions of law (i.e. the manner in which the statutory definition of CBM is interpreted by the PTAB or the statutorily-excepted “technological inventions” are defined by regulations promulgated by the USPTO) reviewable while questions of fact are not. On September 10, 2015, Versata requested the CAFC for rehearing and/or rehearing en banc to decide some of these issues.¹⁶⁵ The CAFC denied this request on October *240 15, 2015. If the request had been granted, the CAFC would have had the opportunity to address these issues.

Conclusion

In the longstanding *Versata* case, the CAFC has clarified critical issues of first impression regarding the scope of judicial review in CBM review proceedings. From a broader perspective, this jurisprudence could inform the court's role in reviewing action by the executive branch with respect to rights conferred on patent owners and with respect to efforts to enhance the quality of the patent system as a whole. Still more, the judicial reviewability analysis could provide useful insights regarding the court's interpretation of legislative texts, including the level of deference a court ought to accord to Congressional intent. In light of the implication of the judicial, executive, and legislative branches of the government in this matter, the principles advanced in *Versata* can be applied to enhance understanding of the distinct roles of each of the three branches of government of the United States.

Footnotes

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¹ See U.S. CONST. amend. V; *Kelo v. City of New London*, 545 U.S. 469, 489-90 (2005) (holding that the government can take land when it serves a public purpose, which satisfies the public use requirement of the takings clause of the Constitution).

² See, e.g., Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 FED. CIR. B.J. 539, 598-99 (2012) (noting the various United States Patent Office procedures to invalidate a previously issued patent).

- 3 [Bilski v. Kappos](#), 130 S. Ct. 3218, 3221 (2010) (holding that machine-or-transformation test is not the sole test for determining the patent eligibility of a process, and applicants' method was an unpatentable abstract idea).
- 4 See Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18, 125 Stat. 284, 329 (2011) [hereinafter "AIA"] (codified at 35 U.S.C. § 298 (2012)).
- 5 See [Marbury v. Madison](#), 5 U.S. (1 Cranch) 137, 177 (1803); see also *infra*, Part III.A; [United States v. Nourse](#), 34 U.S. (9 Peters) 8, 8-9 (1835).
- 6 793 F.3d 1306 (Fed. Cir.) [hereinafter *Versata I*], *reh'g en banc denied*, No. 2014-1194, slip op. (Fed. Cir. Oct. 15, 2015) (en banc) (per curiam).
- 7 *Id.* at 1310-11.
- 8 On September 8, 2015, Versata petitioned the CAFC for rehearing and/or rehearing en banc. Plaintiff-Appellant Versata Development Group, Inc.'s Petition for Panel Rehearing and/or Rehearing En Banc at 2, [Versata Dev. Grp., Inc. v. Lee](#), 793 F.3d 1352 (Fed. Cir. 2015) (No. 14-1145). The petition was denied on October 15, 2015. *Versata*, No. 2014-1194, slip op. at 1 (Fed. Cir. Oct. 15, 2015) (en banc) (per curiam).
- 9 AIA § 1.
- 10 *Id.* § 6, 125 Stat. at 299. The proceedings went into effect one year after the AIA was enacted. *Id.* § 35, 125 Stat. at 341.
- 11 *Id.* § 6, 125 Stat. at 299. This proceeding allows a person who is not the owner of a patent to challenge the patentability of one or more claims in a patent only on a ground that could be raised under 35 U.S.C. §§ 102, 103 (2012) (which provide conditions for patentability; novelty or non-obvious subject matter, respectively), and only on the basis of prior art consisting of patents or printed publications. 35 U.S.C. § 311 (2012). A petition for IPR can only be filed after the later of either: (1) nine months after the grant of the patent or issuance of a reissue patent; or (2) if a PGR is instituted, the date of the termination of the PGR. *Id.* An IPR may only be instituted if the "Director" (in this case, the PTAB) determines that the information presented in the petition and any response filed by the patent owner shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least one of the challenged claims. *Id.* § 314. If the proceeding is instituted, rather than dismissed, a final determination by the Board will be issued within one year (extendable for good cause by six months). *Id.* § 316.
- 12 AIA § 6, 125 Stat. at 305. This proceeding allows a person who is not the owner of a patent to challenge the patentability of one or more claims in a patent on any ground that could be raised under 35 U.S.C. § 282(b)(2), (3) (2012) (which provide defenses involving the invalidity of the patent). 35 U.S.C. § 321. A petition for PGR may only be filed within nine months after the date of grant of the patent or issuance of a reissue patent. *Id.* A PGR may be instituted if the PTAB determines that the information presented in the petition would demonstrate that it is more likely than not that at least one of the claims challenged is unpatentable. *Id.* § 324. If the proceeding is instituted and not dismissed, a final determination by the Board will be issued within one year (extendable for good cause by six months). *Id.* § 328.
- 13 35 U.S.C. § 321.
- 14 149 F.3d 1368, 1370-72 (Fed. Cir. 1998) (holding that the patent in suit was directed to machine, not process; the invention was not unpatentable under mathematical algorithm exception to patentability; and there is no "business method" exception to patentability), *abrogated by In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008).
- 15 157 CONG. REC. H4496 (daily ed. June 23, 2011) (statement of Rep. Crowley).
- 16 [Bilski v. Kappos](#), 130 S. Ct. 3218, 3226-27, 3231 (2010).
- 17 Matal, *supra* note 2, at 627.
- 18 See *id.* at 627.
- 19 157 CONG. REC. S5409, S5436-37 (daily ed. Sept. 8, 2011) (statements of Sen. Schumer).

- 20 157 CONG. REC. S1367 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).
- 21 *See supra* note 12.
- 22 AIA § 18(a)(1)(B), 125 Stat. at 329-30.
- 23 *See* 35 U.S.C. § 321(b) (2012), which applies to PGRs for CBM patents under AIA § 18(a)(1). 35 U.S.C. § 321(b) provides that a petitioner may request to cancel as unpatentable one or more claims of a patent on any ground that could be raised under 35 U.S.C. § 282(b)(2) or (3). These provisions specify the defenses that may be raised in an action involving the validity of a patent. *Id.* These include the validity of the patent or any claim on any ground specified as a condition for patentability, including §§ 102 and 103, which pertain to novelty and non-obvious subject matter, respectively; and the validity of the patent or any claim for failure to comply with any requirement under 35 U.S.C. § 112 (2012), which pertains to the specification of the written description of an invention. Notably, while 35 U.S.C. § 101 (2012), which provides that “[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor,” subject to certain conditions, is not technically included under 35 U.S.C. § 282(b), it appears to be an applicable basis on which to challenge a patent under the CBM review proceedings. *See* AIA § 18(e), 125 Stat. at 331, entitled “Rule of Construction.”
- 24 35 U.S.C. § 282(b)(3)(A). This section provides that the failure to disclose the best mode shall not be a basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable under 35 U.S.C. § 112. *Id.*
- 25 *See* AIA § 18(d)(1), 125 Stat. at 331.
- 26 *See id.*
- 27 *Compare* AIA, § 18(d), *with* 37 C.F.R. § 42.301(b) (2013) (defining a “technological invention” as one which the “subject matter as a whole recites a technological feature that is novel and nonobvious over the prior art; and solves a technical problem using a technical solution”).
- 28 35 U.S.C. § 326(a)(11).
- 29 “The term ‘Director’ means the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office.” AIA § 2(1), 125 Stat. at 284. Because the various reviews under the AIA are conducted by the PTAB, the decisions discussed in this Article are made by the PTAB.
- 30 35 U.S.C. § 324(a).
- 31 *See* AIA § 18(a)(3)(A), 125 Stat. at 330. The program went into effect on September 16, 2012, one year after the enactment of the AIA. *See Id.* § 18(a)(2), 125 Stat. at 330.
- 32 157 CONG. REC. S1367 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).
- 33 37 C.F.R. § 42.300 (2013).
- 34 AIA § 18(a)(1)(E), 125 Stat. at 330.
- 35 *See* 35 U.S.C. § 324(a).
- 36 *Id.* § 324(e), 125 Stat. at 307.
- 37 *See id.* § 329, 125 Stat. at 311.
- 38 *Versata I*, 793 F.3d 1306, 1314-15 (Fed. Cir.), *reh'g en banc denied*, No. 2014-1194, slip op. (Fed. Cir. Oct. 15, 2015) (en banc) (per curiam).
- 39 *Versata Software Inc. v. SAP Am., Inc.*, No. 2:07-CV-153 CE, 2011 WL 4017941, at *1 (E.D.Tex. Sept. 9, 2011), *vacated and remanded by* 717 F.3d 1255 (Fed. Cir. 2013).
- 40 *Id.* at *1.

- 41 *Id.* at *6.
- 42 [Versata Software, Inc. v. SAP Am., Inc.](#), 717 F.3d 1255, 1269 (Fed. Cir. 2013), *aff'd*, 793 F.3d 1306 (Fed. Cir. 2015).
- 43 [SAP America, Inc., v. Versata Dev. Grp., Inc.](#), No. CBM2012-00001, slip op. at 2 (P.T.A.B. Jan. 9, 2013) (institution decision).
- 44 *See id.* at 2, 17.
- 45 *See* [SAP America, Inc., v. Versata Dev. Grp., Inc.](#), No. CBM2012-00001, slip op. at 2 (P.T.A.B. June 11, 2013) (final written decision).
- 46 [Versata I](#), 793 F.3d 1306, 1313 (Fed. Cir.), *reh'g en banc denied*, No. 2014-1194, slip op. (Fed. Cir. Oct. 15, 2015) (en banc) (per curiam).
- 47 *Id.*
- 48 *Id.* at 1315; *see supra*, notes 36--37.
- 49 [Versata I](#), 793 F.3d at 1316.
- 50 [St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.](#), 749 F.3d 1373 (Fed. Cir. 2014) [hereinafter *St. Jude Med.*]; [In re Dominion Dealer Solutions, LLC](#), 749 F.3d 1379 (Fed. Cir. 2014).
- 51 [In re Procter & Gamble Co.](#), 749 F.3d 1376, 1377 (Fed. Cir. 2014).
- 52 *See In re Dominion*, 749 F.3d at 1380; [In re Procter & Gamble Co.](#), 749 F.3d at 1377; [St. Jude Med.](#), 749 F.3d at 1375.
- 53 [St. Jude Med.](#), 749 F.3d at 1375-76.
- 54 *See In re Dominion*, 749 F.3d at 1381; [In re Procter & Gamble](#), 749 F.3d at 1378-79; [St. Jude Med.](#), 749 F.3d at 1375-76.
- 55 [Benefit Funding Sys. LLC v. Advance Am. Cash Advance Ctr. Inc.](#), 767 F.3d 1383, 1384 (Fed. Cir. 2014); [VirtualAgility Inc. v. Salesforce.com, Inc.](#), 759 F.3d 1307, 1309 (Fed. Cir. 2014); *see also* ALA § 18(b), 125 Stat. at 331 (allowing such immediate interlocutory appeals of district court decisions on stay determinations to the CAFC, which may review the district courts decision de novo).
- 56 [VirtualAgility](#), 759 F.3d at 1313.
- 57 [Benefit Funding Sys.](#), 767 F.3d at 1386.
- 58 [Versata I](#), 793 F.3d 1306, 1319 (Fed. Cir.), *reh'g en banc denied*, No. 2014-1194, slip op. (Fed. Cir. Oct. 15, 2015) (en banc) (per curiam).
- 59 *Id.*
- 60 *Id.*
- 61 *Id.*
- 62 *Id.* at 1319-20 (citing [Bennet v. Spear](#), 520 U.S. 154, 177-78 (1997)).
- 63 *Id.* at 1320 (internal quotation marks omitted) (quoting [Soc. Sec. Bd. V. Nierotko](#), 327 U.S. 358, 369(1946)).
- 64 *Id.* (internal quotation marks omitted) (quoting [Bowen v. Mich. Acad. Of Family Physicians](#), 476 U.S. 667, 670 (1986)).
- 65 *Id.* (citing [Block v. Cmty. Nutrition Inst.](#), 467 U.S. 340 (1984)).
- 66 *Id.*
- 67 *Id.*

- 68 *See* 37 C.F.R. § 42.302(a) (2014).
- 69 *Versata I*, 793 F.3d at 1320.
- 70 *See* 35 U.S.C. § 328(a) (2012).
- 71 *Versata I*, 793 F.3d at 1321.
- 72 *Id.* at 1321-22.
- 73 *Id.* at 1319.
- 74 *See supra* Part II.B. Notably, the CAFC construed the statutory review bar for IPR (§ 314(d)) in the *In re Cuozzo Speed Technologies, LLC* case, and concluded that the statute “prohibits review of the decision to institute IPR even after a final decision.” *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1273-74 (Fed. Cir. 2015). However, that case can arguably be distinguished from the *Versata* case because in *In re Cuozzo*, the court deemed important that the alleged error by the PTAB at the institution stage (namely, that the PTAB contravened its statutory obligation under § 314(a) to institute review based on “information presented in the petition” by instituting review on the basis of “prior public use”) was not relevant at the final decision stage as the statute does not limit PTAB’s authority to issue a final decision on the grounds alleged in the petition. *Id.* By contrast, in the circumstances at issue in the *Versata* case, the PTAB’s authority under the CBM review proceedings is limited to CBM patents, thus, the challenged patent’s qualification as a CBM patent is relevant at all stages. *Versata I*, 793 F.3d at 1322.
- 75 *Versata I*, 793 F.3d at 1320 (citing *Block v. Cmtv. Nutrition Inst.*, 467 U.S. 340, 351 (1984)).
- 76 *Bowen v. Mich. Acad. of Family Physicians*, 476 U.S. 667, 670 (1986) (second alteration in original) (quoting *Abbott Labs. v. Gardner*, 387 U.S. 136, 140 (1967)).
- 77 5 U.S. (1 Cranch) 137 (1803).
- 78 *Id.* at 163; *see also* *United States v. Nourse*, 34 U.S. (9 Peters) 8, 8-9 (1835), noting:
It would excite some surprise if, in a government of laws and of principle, furnished with a department whose appropriate duty it is to decide questions of right, not only between individuals, but between the government and individuals, a ministerial officer might, at his discretion, issue this powerful process ... leaving to that debtor no remedy, no appeal to the laws of his country; if he should believe the claim to be unjust. But this anomaly does not exist; this imputation cannot be cast on the legislature of the United States.
Id.
- 79 *Mach Mining, LLC v. E.E.O.C.*, 135 S. Ct. 1645, 1651 (2015) [hereinafter “*Mach Mining*”].
- 80 *See* *Soc. Sec. Bd. v. Nierotko*, 327 U.S. 358, 369 (1946).
- 81 *Bowen*, 476 U.S. at 675.
- 82 *Mach Mining*, 135 S. Ct. at 1652.
- 83 *Lindahl v. Office of Pers. Mgmt.*, 470 U.S. 768, 791 (1985) (internal quotation marks omitted) (quoting *Scroggins v. United States*, 397 F.2d 295, 297 (Ct. Cl. 1968)).
- 84 *See id.* at 779-80.
- 85 *See* *Collins v. United States*, 67 F.3d 284, 287-88 (Fed. Cir.), *reh’g denied*, No. 95-5030, 1995 U.S. App. LEXIS 31508 (Fed. Cir. Oct. 25, 1995).
- 86 *Harris v. Shinseki*, 704 F.3d 946, 948 (Fed. Cir. 2013) (referring to 38 U.S.C. § 7292 (2012)).
- 87 *Block v. Cmtv. Nutrition Inst.*, 467 U.S. 340, 352 (1984).
- 88 476 U.S. 667 (1986).
- 89 *Id.* at 673.

- 90 *Id.* at 675.
- 91 470 U.S. 768 (1985).
- 92 *Id.* at 771.
- 93 *Id.* at 791 (quoting *Scroggins v. United States*, 397 F.2d 295, 300 (Ct. Cl. 1968)).
- 94 *Id.* at 779.
- 95 *See Bowen.*, 476 U.S. at 675 (explaining that the statute at issue affords an aggrieved individual the opportunity for an administrative hearing).
- 96 35 U.S.C. § 329 (2012).
- 97 *See Id.* § 324(a).
- 98 *See AIA.* § 18(a)(1)(E), 125 Stat. at 329-30.
- 99 *See supra* notes 97-99.
- 100 35 U.S.C. § 329.
- 101 *Compare Id.* § 324(e) (stating that the PTAB's decision whether to institute a PGR review is final and nonappealable), *with* ALA § 18(a)(1)(E), 125 Stat. at 330 (stating that PTAB Director may only institute a CBM review for a CBM patent).
- 102 *See Lindahl v. Office of Pers. Mgmt.*, 470 U.S. 768, 791 (1985).
- 103 *See AIA* § 18(d)(1), 125 Stat. at 331 (statutory definition of CBM patents); 37 C.F.R. § 42.301(b) (2013) (regulation's definition of technological inventions).
- 104 *Bowen v. Mich. Acad. of Family Physicians*, 476 U.S. 667, 675 (1986) (internal quotation marks omitted).
- 105 *See lindahl*, 470 U.S. at 782-83.
- 106 157 CONG. REC. S7413 (daily ed. Nov. 14, 2011) (letter of Rep. Lamar Smith).
- 107 *Bowen*, 476 U.S. at 670.
- 108 *Lindahl*, 470 U.S. at 782-84 (concerning the 1980 amendment to 5 U.S.C. § 8347).
- 109 *Cf. Versata I*, 793 F. 3d 1306, 1321 (Fed. Cir.) (stating that the legislative record contains “competing statements from various legislators” in regards to the scope of issues heard on appeal), *reh'g en banc denied*, No. 2014-1194, slip op. (Fed. Cir. Oct. 15, 2015) (en banc) (per curiam).
- 110 157 CONG. REC. H4497 (daily ed. June 23, 2011) (statement of Rep. Goodlatte).
- 111 157 CONG. REC. S5437 (daily ed. Sept. 8, 2011) (statement of Sen. Cantwell).
- 112 *See generally* 157 CONG. REC. H4497 (daily ed. June 23, 2011). *See also* 157 CONG. REC. S7413-14 (daily ed. Nov. 14, 2011) (letter of Rep. Lamar Smith).
- 113 *Compare* 157 CONG. REC. H4497 (daily ed. June 23, 2011) (statement of Rep. Shuster), *with* 157 CONG. REC. S5409 (daily ed. Sept. 8, 2011) (statement of Senator Schumer), *and* 157 CONG. REC. S7413 (daily ed. Nov. 14, 2011) (letter of Rep. Lamar Smith).
- 114 135 S. Ct. 1645 (2015).
- 115 *Id.* at 1649.
- 116 *See id.* at 1652.

- 117 *See* AIA § 18(d)(1), 125 Stat. at 331.
- 118 *Lindahl v. Office of Pers. Mgmt.*, 470 U.S. 768, 779 (1985).
- 119 *Much Mining*, 135 S. Ct. at 1652-53.
- 120 *See* Schmidt, Jacobus & Glover, ‘Patent Reform’ Will Keep Small Business Inventions From Being Commercialized, IP WATCHDOG (April 28, 2014), <http://www.ipwatchdog.com/2014/04/28/patent-reform-harms-innovative-small-businesses-3/id=49276/>.
- 121 467 U.S. 340 (1984).
- 122 *Id.* at 341-42.
- 123 *Id.* at 347-51.
- 124 *Id.* at 346-48, 352.
- 125 *See id.* at 346-51.
- 126 *See* Changes to Implement IPR Proceedings, PGR Proceedings, and Transitional Program for CBM Patents, 77 Fed. Reg. 48,680 (Aug. 14, 2012) (codified at 37 C.F.R. pt. 42).
- 127 *Lindahl v. Office of Pers. Mgmt.*, 470 U.S. 768, 779-80 (1985).
- 128 *Id.* at 780 n.13 (referring to 5 U.S.C. § 8128(b) (1982)).
- 129 67 F.3d 284 (Fed. Cir. 1995).
- 130 *Id.* at 287.
- 131 *Id.* at 287-88.
- 132 704 F.3d 946 (Fed. Cir. 2013).
- 133 *Id.* at 948 (citing 38 U.S.C. § 7292(d)(2) (2012)).
- 134 *See* *Lindahl v. Office of Pers. Mgmt.*, 470 U.S. 768, 779-80 (1985); *Harris*, 704 F.3d at 948
- 135 *Compare* 35 U.S.C. § 324(e) (2012) (concerning statutory finality), *with* *Collins*, 67 F.3d at 285, 287 (holding that under 10 U.S.C. §§ 2731, 2735 (2012) settlement was “final and conclusive” and not subject to review).
- 136 *Versata I*, 793 F.3d 1306, 1319-20 (Fed. Cir. 2015), *reh’g en banc denied*, No. 2014-1194, slip op. (Fed. Cir. Oct. 15, 2015) (en banc) (per curiam).
- 137 *See supra* Part II.B.
- 138 *Versata I*, 793 F.3d at 1319.
- 139 *See supra* notes 59--60 and accompanying text.
- 140 *See supra* notes 60, 70 and accompanying text.
- 141 *Versata I*, 793 F.3d at 1341 (Hughes, J., concurring-in-part, dissenting-in-part) (citing *In re Cuozzo Speed Technologies, LLC*, 793 F.3d 1268 (Fed. Cir. 2015)).
- 142 *Id.* at 1336 (majority opinion).
- 143 *Id.* at 1341 (Hughes, J., concurring-in-part, dissenting-in-part) (quoting *In re Cuozzo Speed Technologies, LLC*, 793 F.3d 1268, 1273 (Fed. Cir. 2015)).

- 144 *Id.* at 1341-42.
- 145 *Id.* at 1341.
- 146 *See id.* at 1341-42.
- 147 *See* 5 U.S.C. § 704 (2012) (Administrative Procedure Act).
- 148 *Bennett v. Spear*, 520 U.S. 154, 178 (1997) (quoting *Port of Boston Marine Terminal Ass'n v. Rederiaktiebolaget Transatlantic*, 400 U.S. 62, 71 (1970)).
- 149 520 U.S. 154 (1997).
- 150 *Id.* at 178.
- 151 *Id.* at 154.
- 152 *See* 35 U.S.C. § 324(e) (2012).
- 153 *See* AIA § 18(a)(1), 125 Stat. at 329.
- 154 *See* 35 U.S.C. § 324(e).
- 155 *See id.* § 324(a)-(b).
- 156 *See* AIA § 18(a)(1), 125 Stat. at 329 (providing that “[t]he transitional proceeding ... shall be regarded as, and shall employ the standards and procedures of, a post-grant review”). The Director of the PTAB must issue regulations to implement the PGR review proceeding. *Id.*
- 157 35 U.S.C. § 324(e).
- 158 *Id.* § 324 (a), (c), (d).
- 159 *See* AIA § 18(a)(1)(E), 125 Stat. at 330.
- 160 *See id.*
- 161 *See* 35 U.S.C. §§ 321(a), 324.
- 162 *Lindahl v. Office of Pers. Mgmt.*, 470 U.S. 768, 780 (1985).
- 163 *See supra* Part III.A.vi.
- 164 5 U.S.C. § 8128(b) (2012).
- 165 Plaintiff-Appellant Versata Development Group, Inc.'s Petition for Panel Rehearing and/or Rehearing En Banc, *Versata Dev. Grp., Inc. v. Lee*, 793 F.3d 1352 (Fed. Cir. 2015) (No. 14-1145). On March 13, 2013, after the PTAB had decided to institute the CBM review in the *Versata* case, Versata sued USPTO in the District Court for the Eastern District of Virginia, “seeking to set aside the PTAB's decision to institute CBM review.” *Versata Dev. Grp., Inc. v. Lee*, 793 F.3d 1352, 1353 (Fed. Cir.), *reh'g en banc denied*, No. 2014-1194, slip op. (Fed. Cir. Oct. 15, 2015) (en banc) (per curiam) (denying combined petition for rehearing en banc). SAP successfully filed a motion to intervene. *Id.* “On August 7, 2013, the district court granted the USPTO's motions to dismiss for lack of subject matter jurisdiction and failure to state a claim, and SAP's motion to dismiss for lack of subject matter jurisdiction.” *Id.* Versata appealed the judgment to the CAFC, which affirmed the District Court's judgment. *Id.* In its petition for rehearing and/or rehearing en banc, Versata requested the CAFC to answer the following questions:
Whether 35 U.S.C. §324 deprives a district court of subject matter jurisdiction to hear a challenge, under the Administrative Procedure Act (“APA”), 5 U.S.C. §701 *et seq.*, to a decision of the PTO that a patent is subject to CBM review.
Whether a decision of the PTO instituting CBM review is a “final agency action” for purposes of review under the APA.
The meaning of “covered business method patent” and the “technological invention” exception—and thus the scope of the PTO's authority to conduct CBM review. (Rehearing of this issue also sought in *Versata I.*)

The deference this Court must afford the PTO in its construction of substantive provisions of the AIA. (Rehearing of this issue also sought in *Versata I.*)

Petition for Panel Rehearing and/or Rehearing En Banc at 1, (No. 14-1145).

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