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THE *NHK-FINTIV* RULE: PATENT LAW'S WHACK-A-MOLE

*Janelle Barbier**

*Since their inception in 2013, inter partes review proceedings have steadily gained in popularity, killing patents at an astounding rate. It is no wonder that defendants flee to the PTAB when staring down costly patent infringement suits in federal court. But an IPR institution is not a right—it is at the sole discretion of the USPTO Director. And despite increased petitions for IPR over the past few years, institution rates have declined. The reason for fewer institutions seemingly lies with the PTAB's decision to employ certain factors in determining whether public policy weighs against IPR institution. This precedential doctrine—known as the *NHK-Fintiv* Rule—was created by the PTAB without any formal procedure. Following the Federal Circuit's rulings that decisions relating to IPR institution are not subject to judicial review, the Rule has resulted in a frenzy of litigation and related pleas to the Supreme Court.*

While IPR institution denials continue to accumulate, accused infringers are engaged in a game of Whack-a-Mole with the Rule. Instead of continuing to attack the Rule as arbitrary and capricious, litigants should explore other avenues offered by the Administrative Procedure Act and the Constitution—these attacks on procedure may be the key in whacking the Rule for good. Further, the ramifications of the Rule on patent-specific forum shopping and litigation by non-practicing entities are profound. For these reasons, the Supreme Court should heed the call by technology companies to clarify when judicial review is permissible for acts associated with discretionary agency action.

* J.D. Candidate, Santa Clara University School of Law, 2023. I thank my daughters and my parents for their support and guidance throughout this publication process. I am especially grateful to Professor Colleen Chien for her help and support throughout my journey in patent law and in researching current topics in patent jurisprudence. I also thank Professor Dorothy Glancy for sharing her immense knowledge in administrative law with me. Finally, as the outgoing Editor-in-Chief for the High Technology Law Journal, I am indebted to the Associates and Editorial Board of Volume 39 for their assistance and incredible work ethic—not only with my Article, but with every publication during my tenure. I could not have succeeded without such an amazing team. All opinions are my own.

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I. INTRODUCTION

In 2011, the America Invents Act¹ significantly changed United States patent law. One major change addressed the increase in—and the challenges associated with—patent litigation in federal courts. Congress sought to provide a viable cost-effective alternative to litigating the validity of a patent.² Its solution was *inter partes* review (“IPR”), an adjudicative proceeding in front of administrative law judges (“ALJs”) at the Patent Trial and Appeal Board (“PTAB”).³ IPR provided an avenue for accused infringers to challenge the validity of a patent, outside of the district court forum. However, it received mixed reviews; while defendants hailed the change as a remedy for costly infringement suits, patent owners have largely balked at what several term the “patent death squad.”⁴ Thus, the tension between those seeking to protect patent rights and those seeking to invalidate patent rights underlies the controversy surrounding IPR institution decisions.

The IPR institution process is seemingly straightforward: a non patent owner petitions for IPR and the United States Patent and Trademark Office (“PTO”) Director uses their sole discretion to decide whether to institute IPR—this decision has been delegated to ALJ panels and is non-appealable.⁵ However, a recent flood of litigation⁶ questions whether the statute granting the Director discretionary power over IPR institution is in fact deceptively simple. The litigation surrounds two PTAB opinions—designated as precedential—that bind PTAB panels when considering IPR institutions in light of parallel proceedings involving the same patent.⁷ These decisions—in *NHK*

¹ Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (Sept. 16, 2011) [hereinafter “AIA”].

² H.R. REP. NO. 112-98(I), at 40 (2011).

³ 35 U.S.C. §§ 311, 312(a) (2012). Unless otherwise specified herein, all citations to 35 U.S.C. refer to AIA 35 U.S.C.

⁴ Clark A. Jablon, *Is the Sky Falling in the US Patent Industry?*, 36 INFO. DISPLAY 37, 38 (2020).

⁵ 35 U.S.C. § 314; 37 C.F.R. § 42.4.

⁶ See generally Rational Patent Blog, *Q1 in Review: Patent Litigation Surged as Third-Party Funding Further Unshackled NPEs*, RPX CORP. 1, 37 (Apr. 13, 2021), www.rpxcorp.com/wp-content/uploads/sites/6/2021/04/RPX-Q1-in-Review-April-2021.pdf.

⁷ See PAT. TRIAL & APPEAL BD., STANDARD OPERATING PROCEDURE 2 (Rev. 10), at I.B, III.D (Sept. 20, 2018) [hereinafter “SOP-2”] (discussing precedential decisions). The PTAB has a history of issuing precedential decisions in an effort to avoid duplicative litigation of patent validity. See

Spring v. Intri-Plex Technologies and *Apple v. Fintiv*⁸—were combined and are collectively referred to as the *NHK-Fintiv* Rule in this Article.⁹ The Rule mandates that the PTAB use a six-factor test to evaluate whether fairness and efficiency weigh against IPR institution.¹⁰ Empirical evidence shows that the Rule has profoundly affected IPR institution; for example, discretionary denials of IPR petitions increased by 60% in 2020.¹¹

In light of these data, several technology companies accused of patent infringement challenged the PTAB’s ability to use binding precedent to control IPR institution decisions.¹² To date, the Rule is winning this game of Whack-a-Mole¹³—both district courts and the Federal Circuit denied these challenges, allowing the Rule to pop up unscathed.¹⁴ But the Supreme Court alluded to leaving the door open to future challenges to IPR, indicating that judicial review was not

generally Saurabh Vishnubhakat, *Patent Inconsistency*, 97 IND. L.J. 60 (2022).

⁸ *NHK Spring v. Intri-Plex Techs.*, IPR2018-00752 (P.T.A.B. Sept. 12, 2018), 2018 WL 4373643, at *7 (precedential, designated: May 07, 2019) [hereinafter “*NHK*”]; *Apple v. Fintiv*, IPR2020-00019 (P.T.A.B. Mar. 20, 2020), 2020 WL 2126495, at *3 (precedential, designated: May 05, 2020) [hereinafter “*Fintiv*”].

⁹ While not officially designated as a “Rule” under administrative law procedure, I refer to the binding *NHK-Fintiv* decisions as the *NHK-Fintiv* Rule—or simply as the “Rule”—because they have the same effect and force of law as an administrative rule, as I describe *infra*, Section IV.B.1.

¹⁰ *Fintiv*, 2020 WL 2126495, at *2.

¹¹ Insights, *PTAB Discretionary Denials Up 60%+ in 2020: Fueled Entirely by 314(a) Denials*, UNIFIED PATENTS (Jan. 05, 2021).

¹² See, e.g., Order Granting Dismissal, *Apple v. Optis Cellular Tech.*, No. 2021-1043 (Fed. Cir. Dec. 21, 2020), 2020 WL 7753630, at *1 (dismissing for lack of jurisdiction); Order Granting Dismissal, *Apple v. Iancu*, No. 5:20-CV-06128-EJD (N.D. Cal. Nov. 10, 2021), 2021 WL 5232241, at *1 (same).

¹³ Whac-a-Mole® is a game “in which a player uses a plastic mallet to hit moles popping up from random holes in the the game board”—the term “is used colloquially to denote a repetitious and futile task: each time an adversary is ‘whacked’ it only pops up again somewhere else.” *Whack-a-mole*, TECH. & IP L. GLOSSARY (Sept. 10, 2014),

<https://www.ipglossary.com/glossary/whack-a-mole/#.ZF AceuzMK3I>.

For an entertaining view of the game in action, see @Rodspeed’s Entertainment, *Best Whack A Mole Game Ever*, YOUTUBE (May 27, 2012), <https://www.youtube.com/watch?v=VoP1E9J4jpg>.

¹⁴ See, e.g., *Apple*, 2020 WL 7753630; see also *In re MaxPower Semiconductor*, 13 F.4th 1348, 1351 (Fed. Cir. 2021) (proclaiming that the decision on whether to institute IPR is completely unreviewable). Notably, as discussed *infra*, challenges brought against the Director had more success.

precluded when constitutional questions are posed.¹⁵ Several alleged infringers petitioned the Supreme Court for *certiorari*, arguing that the *NHK-Fintiv* Rule is arbitrary and capricious and violates the Administrative Procedure Act.¹⁶ In 2022, the Court denied these petitions for *certiorari*,¹⁷ leaving a lingering battlefield over the Rule's justiciability.

The *NHK-Fintiv* Rule is one of the hottest and most controversial issues facing the patent bar¹⁸—the Rule presents a unique opportunity to address Constitutional law, administrative law, and public policy within the sphere of patent jurisprudence. And given the Supreme Court's recent interest in the PTAB's organizational posture,¹⁹ this is a prime time to seek answers to unresolved questions regarding the appealability of decisions associated with IPR institution. To complicate matters, at least one Senator has proposed legislation that would overrule *NHK-Fintiv*, arguing that it undermines Congress's intent in creating IPR.²⁰ Moreover, several stakeholders have expressed concern that the increased rate of IPR institution denials exacerbates the already potent problems with Patent Assertion Entities and forum shopping in patent litigation.²¹ Because the Rule's implications are far-reaching—plus its birth raises the important question of whether an agency's discretionary power equates with unfettered immunity from judicial review—the Supreme Court should address the issue.

This Article develops and defends this thesis. The purpose of this Article is to provide interested parties with a roadmap of the

¹⁵ See *Cuozzo Speed Techs. v. Lee*, 579 U.S. 261, 266 (2016) (“We conclude that the first provision, though it may not bar consideration of a constitutional question, for example, does bar judicial review of the kind of mine-run claim at issue here, involving the Patent Office's decision to institute *inter partes* review.”).

¹⁶ See, e.g., Petition for Writ of Certiorari at 3, *Apple v. Optis Cellular Tech.*, 142 S.Ct. 859 (2022) (No. 21-118), 2021 WL 3207820, at *3.

¹⁷ Britain Eakin, *High Court Turns Down Intel's Challenge to PTAB's Fintiv Rule*, LAW 360 (Mar. 21, 2022).

¹⁸ Richard Bembem & Steven Pappas, *2021 PTAB Year in Review: Analysis & Trends: Fintiv Continues To Take Center Stage: The Effect of Parallel Litigation at the PTAB in 2021*, JD SUPRA (Mar. 10, 2022).

¹⁹ See generally *United States v. Arthrex*, 141 S.Ct. 1970 (2021) [hereinafter “*Arthrex*”], discussed *infra*, Section IV.C.2.

²⁰ See *Looming Leahy Bill Would End Fintiv Practice at PTAB*, IP WATCHDOG (Sept. 23, 2021) (discussing Senator Leahy's proposed draft bill); see also Patent Trial and Appeal Board Reform Act of 2022, S. 4417, 117th Cong., 2d Sess. (introduced June 16, 2022).

²¹ See *infra*, Section V.

potential Constitutional and statutory arguments associated with judicial review of discretionary governmental action. Because each issue on its own would likely require complex litigation, I do not reach definitive conclusions on how all issues should be decided. Likewise, I do not opine on whether the varying proposed challenges should succeed, but I do assume that at least some of the challenges would be justiciable.

Part II begins with an overview and history of United States patent law and introduces the IPR process enacted through the AIA. Part III reviews the origin of the *NHK-Fintiv* Rule and its subsequent effect on IPR. Part IV explores the potential challenges to the *NHK-Fintiv* Rule that are likely justiciable under Supreme Court precedent. Part V concludes with the implications of the *NHK-Fintiv* Rule, as well as the policy arguments for striking the Rule down.

II. BACKGROUND ON UNITED STATES PATENT LAWS AND *INTER PARTES* REVIEW

The United States Constitution gives Congress the power to promote innovation by granting limited monopolies to inventors.²² On several occasions, Congress has accepted this responsibility and prescribed laws governing patent issuance and maintenance.²³ The first major overhaul of U.S. patent law was the Patent Act of 1952, which enacted Title 35 of the United States Code into law.²⁴ Congress also granted federal courts exclusive jurisdiction over suits arising out of the Patent Act²⁵ and has since clarified its intent to strip state courts of the ability to hear these claims.²⁶ In 2000, the Patent Office was

²² See U.S. CONST. art. I, § 8, cl. 8 (granting Congress authority to “promote the progress of science and useful arts . . . by securing for limited times [exclusive rights to] inventors”).

²³ Starting in 1790, Congress exercised this power in enacting the first of a series of statutes collectively termed the Patent Law. Chauncey Smith, *A Century of Patent Law*, 5 Q.J. ECON. 44, 44 (1890). Next, the act of 1836 created the Patent Office to issue patents on behalf of the U.S. government through an examination process. *Id.*; *The U.S. Patent and Trademark Office*, FINDLAW, <https://www.findlaw.com/smallbusiness/intellectual-property/the-u-s-patent-and-trademark-office.html> (last accessed Apr. 24, 2023).

²⁴ See Patentability of Inventions and Grant of Patents, Pub. L. No. 593, 66 Stat. 797 (July 19, 1952) (enacting 35 U.S.C. § 100 et seq.).

²⁵ 28 U.S.C. § 1338 provides for original and exclusive jurisdiction over “any civil action arising under any Act of Congress relating to patents.”

²⁶ In 2011, Congress added, for emphasis, “[n]o State court shall have jurisdiction over any claim for relief arising under any Act of Congress relating to patents.” Amelia Smith Rinehart, *The Federal Question in Patent-License Cases*, 90 IND. L.J. 659, 664 (2015) (citing AIA, Pub. L. No. 212-29,

designated as the United States Patent and Trademark Office (“PTO”).²⁷ Over fifty years after the 1952 Act, another major overhaul to the patent system took place—Congress enacted a comprehensive series of changes to the patent code through the Leahy-Smith America Invents Act (“AIA”).²⁸ Once in effect, the AIA replaced the rules of the 1952 Patent Act for patents filed on or after March 16, 2013.²⁹

Traditionally, third parties (i.e. non patent-owners) could challenge the validity of patents (1) directly with the PTO, through *inter partes* or *ex parte* reexamination processes (examiner actions), or (2) through the district courts by seeking a declaratory judgment or by raising invalidity as a defense to an infringement suit.³⁰ Parties can appeal decisions of either entity.³¹ The AIA redesignated the PTO’s internal appeal board as the Patent Trials and Appeal Board (“PTAB”); this Board hears appeals from examiner actions.³² Created in 1982, the United States Court of Appeals for the Federal Circuit (“Federal Circuit”) has exclusive jurisdiction to entertain appeals from both the PTAB and all district courts for patent cases.³³

The AIA revised procedures that a third party could initiate through the PTAB. One such action, *inter partes* review (“IPR”), replaced *inter partes* reexamination as an avenue for third parties to invalidate a patent.³⁴ And while *ex parte* reexamination remains

§ 19, 125 Stat. 284, 331 (2011) (codified at 28 U.S.C. § 1338(a) (2012)); see also *Gunn v. Minton*, 568 U.S. 251, 257 (2013) (“For cases falling within the patent-specific arising under jurisdiction of § 1338(a), however, Congress has not only provided for federal jurisdiction but also eliminated state jurisdiction[.]”).

²⁷ *The U.S. Patent and Trademark Office*, *supra* note 23.

²⁸ See Joseph Matal, *A Guide to the Legislative History of the America Invents Act: Part I of II*, 21 FED. CIR. B.J. 435, 435 (2012) (discussing Leahy-Smith America Invents Act of 2011). The AIA was “designed to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.” H.R. REP. NO. 112-98(I), at 40.

²⁹ For patents filed prior to March 16, 2013, the 1952 Patent Act (aka pre-AIA 35 U.S.C. §100 et seq.) governs. See AIA, *supra* note 1.

³⁰ H.R. REP. NO. 112-98(I), at 45; see also 35 U.S.C. §§ 302 (*ex parte* reexamination), 282(b) (invalidity is a defense in any action involving the validity or infringement of a patent); pre-AIA 35 U.S.C. § 312(a) (*inter partes* reexamination).

³¹ 35 U.S.C. § 141(c); 28 U.S.C. § 1295(a).

³² 35 U.S.C. § 6; Matal, *supra* note 28, at 541.

³³ 28 U.S.C. § 1295(a); 35 U.S.C. § 141.

³⁴ 35 USC § 311. The AIA also created a new third-party proceeding called post-grant review (“PGR”); however, PGR is not relevant to this Article. *Inter partes* reexamination is no longer available under the AIA—

available to petitioners post-AIA, the process has drawbacks.³⁵ In contrast, IPR is essentially a patent cancellation proceeding that allows a third party to challenge the patentability of an issued patent in an adjudicatory setting.³⁶

Parallel proceedings—where a patent is litigated both in district court and in the PTO, such as through IPR—are common.³⁷ For general rulings, neither forum is bound by the other’s decisions,³⁸ and for good reason.³⁹ In addition to “distinctly different standards, parties, purposes, and outcomes,”⁴⁰ there are significant practical

this process allowed third parties to participate in an examiner’s reassessment of a patent during any time the patent was enforceable. Pre-AIA 35 U.S.C. § 312(a).

³⁵ See Rational Patent Blog, *supra* note 6, at 10 (citing 35 U.S.C. § 302) (“a third party requesting reexamination is essentially shut out from the process after the USPTO grants its request, and thus will not have the opportunity to rebut arguments subsequently raised by the patent owner”).

³⁶ Amanda Murphy et al., *Impact of America Invents Act on Biotech Intellectual Property*, 5 COLD SPRING HARB. PERSPECT. MED. 1, 20 (2015). IPR may be initiated by anyone other than the patent owner who has not filed a civil suit challenging the validity of the patent in district court, nor has been sued over a year ago over the patent in district court; it applies to all patents in force except patents that are currently eligible for PGR proceedings; the party may only bring challenges under AIA Sections 102 or 103 that are premised on paper prior art. 35 U.S.C. § 311.

³⁷ For example, in 2017, 85% of instituted IPR petitions involved a co-pending district court case. David P. Ruschke & William V. Saindon, *Chat with the Chief: An Analysis of Multiple Petitions in AIA Trials*, 10 U.S. PAT. & TRADEMARK OFF. (Oct. 24, 2017); see also Saurabh Vishnubhakat et al., *Strategic Decision Making in Dual PTAB and District Court Proceedings*, 31 BERKELEY TECH. L.J. 45, 49–50 (2016) (noting that PTAB petitioners are defendants in pending infringement lawsuits about 70% of the time).

³⁸ District courts have the power to conduct plenary review of PTAB decisions. See *Kappos v. Hyatt*, 566 U.S. 431, 438 (2012) (holding that a district court does not apply a deferential standard of review to PTO factual findings that are contradicted by any new evidence); see also *Novartis AG v. Noven Pharms.*, 853 F.3d 1289, 1294 (Fed. Cir. 2017) (“[a] district court may find a patent claim to be valid, and the [PTO] may later cancel that claim in its own review”); *In re Swanson*, 540 F.3d 1368, 1378 (Fed. Cir. 2008) (holding that the PTO is permitted to find patent claims invalid after an Article III court has upheld their validity).

³⁹ See *In re Swanson*, 540 F.3d at 1377 (citing *Ethicon v. Quigg*, 849 F.2d 1422, 1428 (Fed. Cir. 1988)) (“the two forums take different approaches in determining validity and on the same evidence could quite correctly come to different conclusions”).

⁴⁰ *Id.*

considerations regarding cost and time.⁴¹ Congress was cognizant of these forum differences; however, its initial solution missed the mark.⁴²

The AIA sought to remedy these deficiencies by making IPR an adjudicative—rather than examinational—proceeding and by mandating that the PTAB complete IPR within one year of institution.⁴³ In theory, this made IPR a “quick and cost effective alternative to litigation in the courts.”⁴⁴ In 2015, the median costs for an IPR proceeding were \$350,000 through the appeal phase, as compared to \$3.1 million to bring a comparable case to trial in a district court.⁴⁵ Moreover, IPR is precluded where a party has sought declaratory judgment on a patent in court, preventing repeated assaults on patent validity.⁴⁶

Despite these purported benefits, many patent owners have not looked favorably upon IPR⁴⁷ and may support raising the bar for IPR institution. One complaint is that statutory and collateral estoppel attach at different times, which can lead to asymmetrical outcomes in related district court proceedings.⁴⁸ In contrast to International Trade

⁴¹ The average time from initial IPR petition to final PTAB decision is roughly 18 months, and litigation typically takes more than two years. Sasha Moss et al., *Inter Partes Review as a Means to Improve Patent Quality*, 46 R ST. SHORTS 1, 2 (Sept. 2017).

⁴² Congress first created the reexamination process with “the expectation that it would serve as an effective and efficient alternative to often costly and protracted district court litigation.” H.R. REP. NO. 112-98(I), at 45 (citing H.R. REP. NO. 96-1307(I), at 3 (1980)). But the initial *inter partes* reexamination statute under the 1952 Patent Act had several limitations that made it an unattractive alternative to challenging a patent’s validity in court. For example, reexaminations under pre-AIA law typically lasted for several years. See generally *Ex Parte Reexamination Filing Data*, U.S. PAT. & TRADEMARK OFF. (Sept. 30, 2013).

⁴³ H.R. REP. NO. 112-98(I), at 45; see 37 C.F.R. § 42.100(c) (2016) (*inter partes* review procedure).

⁴⁴ *PPC Broadband v. Corning Optical Commc'ns RF*, 815 F.3d 734, 741 (Fed. Cir. 2016).

⁴⁵ *Id.* (citing Philip Swain, *The Cost-Effectiveness of PTAB Proceedings*, PTAB BLOG (Nov. 13, 2015)).

⁴⁶ 35 U.S.C. § 325(a)(1).

⁴⁷ See Jablon, *supra* note 4, at 38 (“the PTAB was justifiably accused of becoming a patent ‘death squad,’ invalidating weak patents (which was its primary intended purpose), as well as strong patents”).

⁴⁸ *Compare* IPR estoppel (under 35 U.S.C. § 315(e), IPR estoppel attaches as soon as the PTAB issues a final written decision) *with* collateral estoppel (this common law doctrine applies only after a final judgment is issued; an unaffirmed written decision in an IPR is not sufficiently final to trigger collateral estoppel). Akin Gump, *Timing is Everything: Accused Infringer’s*

Commission (“ITC”) proceedings, IPR has a preclusive effect on litigation in federal court.⁴⁹ Patent owners also lament at how difficult it is to leave IPR unscathed; but even though the majority of patents subject to IPR are invalidated,⁵⁰ this could be said to be in line with Congress’s goal of using IPR to weed out inventions not deserving of a patent.⁵¹ Ultimately, compared with prior reexamination procedures, Congress succeeded in making the PTAB a more desirable forum for parties challenging patent validity.⁵² And although IPR is a product of the AIA regime, it applies retroactively to patents that were granted prior to this statutory scheme.⁵³ Thus, even though the vast majority of patents litigated in district court are governed by pre-AIA law,⁵⁴ IPR is

IPR Victory Estops Its Own Prior Art Invalidity Defenses, but Does Not Estop Plaintiff from Asserting Infringement, JD SUPRA (July 12, 2021).

⁴⁹ See *Texas Instruments v. Cypress Semiconductor*, 90 F.3d 1558, 1569 (Fed. Cir. 1996) (holding that an invalidity determination in an ITC section 337 action does not have preclusive effect); but see *Papst Licensing GmbH & Co. KG v. Samsung Elecs. Am.*, 924 F.3d 1243, 1250–51 (Fed. Cir. 2019) (holding that issue preclusion applies to the PTAB’s decision in an IPR once it becomes final).

⁵⁰ Between 2013–2020, 63% of IPRs resulted in all claims of the patent being invalidated, and another 18% resulted in some claims being invalidated. Jablon, *supra* note 4, at 38.

⁵¹ See *Cuozzo*, 579 U.S. at 263 (citing *Precision Instrument Mfg. v. Automotive Maintenance Machinery*, 324 U.S. 806, 816 (1945)) (“The purpose of *inter partes* review is . . . to protect the public’s ‘paramount interest in seeing that patent monopolies . . . are kept within their legitimate scope.’”); H.R. REP. NO. 112-98(I), at 40.

⁵² See *Celgene v. Peter*, 931 F.3d 1342, 1361 (Fed. Cir. 2019) (citing *Return Mail v. United States Postal Serv.*, 139 S.Ct. 1853, 1860 (2019)) (“Notably, IPRs serve essentially the same purpose as their reexamination predecessors . . . [t]he Supreme Court has described district court challenges, *ex parte* reexaminations, and IPRs as different forms of the same thing—reexamination. All three serve the purpose of correcting prior agency error of issuing patents that should not have issued in the first place.”). As of 2017, IPRs comprised 92% of AIA petitions, resulting in a shift in power from district courts to the PTAB. Mark Magas, *Consequences for Patent Owners if a Patent is Unconstitutionally Invalidated by the Patent Trial and Appeal Board*, 94 CHI.-KENT L. REV. 79, 79–80 (2019).

⁵³ In 2019, “the Federal Circuit held that retroactive application of IPR proceedings to pre-AIA patents is *not* an unconstitutional taking under the Fifth Amendment.” Marc T. Morley, *Give and Take: IPR of Pre-AIA Patent is NOT an Unconstitutional Taking*, MINTZ INSIGHTS CTR. (Aug. 09, 2019) (citing *Celgene*, 931 F.3d at 1362) (emphasis in original).

⁵⁴ See Colleen V. Chien et al., *The AIA at Ten—How Much Do the Pre-AIA Prior Art Rules Still Matter?*, 35 PATENTLY-O PAT. L.J. 1, 1 (2021)

nonetheless a relevant issue.

In addition to debates on IPR itself, disputes arose over the PTO Director's authority to discretionarily institute or deny IPR petitions. Upon petitioning for IPR, the Director has sole discretion to institute the proceeding—this decision is “final and nonappealable.”⁵⁵ The Director cannot authorize IPR unless “there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.”⁵⁶ Moreover, the Director has the authority to formulate the criteria used in reaching this decision, including setting the threshold for institution.⁵⁷ The Director delegates their authority to institute IPR to PTAB panels consisting of Administrative Law Judges (“ALJs”).⁵⁸ If IPR is instituted, the PTAB issues a final written decision (“FWD”) at the conclusion of IPR which is appealed to the Federal Circuit.⁵⁹

IPR institution has been the subject of much litigation at both the Federal Circuit and the Supreme Court. Both Courts agree that the Director's decision to grant or deny a petition for IPR is unreviewable.⁶⁰ The Federal Circuit has taken the position that appellate review of IPR institution decisions are statutorily prohibited for any reason, but alluded that mandamus relief was not out of the question.⁶¹ The Supreme Court left the door open to challenge IPR

(finding that 90% of patents litigated in district court were filed prior to enactment of the AIA regime).

⁵⁵ 35 U.S.C. § 314.

⁵⁶ *Id.* at § 314(a).

⁵⁷ *See id.* at § 316(a)(2) (“The Director shall prescribe regulations . . . setting forth the standards for the showing of sufficient grounds to institute a review under section 314(a).”).

⁵⁸ *See* 37 C.F.R. § 42.4 (stating that the “Board institutes the trial on behalf of the Director”); *see also Ethicon Endo-Surgery v. Covidien*, 812 F.3d 1023, 1033 (Fed. Cir. 2016) (“the Director had authority to delegate the institution decision to the Board”).

⁵⁹ *See* 35 U.S.C. §§ 141(c) (stating that a party dissatisfied with a PTAB final written decision may appeal “only to” the Federal Circuit), 319 (allowing a party dissatisfied with the PTAB's final written decision to appeal the decision).

⁶⁰ *See Cuozzo*, 579 U.S. at 266 (holding that section 314(d) bars “judicial review of the kind of mine-run claim at issue here, involving the Patent Office's decision to institute *inter partes* review”); *accord Saint Regis Mohawk Tribe v. Mylan Pharms.*, 896 F.3d 1322, 1327 (Fed. Cir. 2018) (“If the Director decides not to institute, for whatever reason, there is no review.”).

⁶¹ *See In re MaxPower*, 13 F.4th at 1351 (“Section 314(d)'s rule of nonappealability confirms the unavailability of jurisdiction under § 1295(a)(4)(A) to hear MaxPower's direct appeals.”); *but see Mylan Lab'ys v. Janssen Pharm., N.V.*, 989 F.3d 1375, 1378 (Fed. Cir. 2021) (“While there is

procedure—notwithstanding the Director’s discretion on institution—as “judicial review remains available consistent with the Administrative Procedure Act”⁶² and “may not bar consideration of a constitutional question.”⁶³ In fact, the Court invoked its authority under the Administrative Procedure Act (“APA”) in *SAS Institute v. Iancu*, holding that judicial review was appropriate when the Director exceeded statutory bounds by contravening the AIA and APA in IPR procedures.⁶⁴ But in *Thryv v. Click-to-Call*, the Court held that the Board’s application of statutes “closely related to its decision whether to institute *inter partes* review” are nonappealable.⁶⁵ Therefore, a question remains as to what extent, and under what grounds, a party may challenge discretionary denials.

Before launching into potential justiciable challenges to the *NHK-Fintiv* Rule, Part III explains how adjudicative orders, designated as precedential by the PTAB, factor into IPR institution decisions. Specifically, I focus on two highly controversial precedential decisions.

III. *NHK/FINTIV* DECISIONS AND THE *NHK-FINTIV* RULE

The PTAB’s written decisions are usually only binding for the case in which it was made; however, the Board has the authority to declare certain decisions “precedential” or “informative”⁶⁶ through its Precedential Opinion Panel (“POP”). The POP operates at the discretion of the Director to decide “issues of exceptional importance”

no avenue for direct appeal of decisions denying institution, we conclude that judicial review is available in extraordinary circumstances by petition for mandamus.”)

⁶² *SAS Inst. v. Iancu*, 138 S.Ct. 1348, 1359 (2018) (holding courts can set aside agency action when “the Patent Office has engaged in ‘shenanigans’ by exceeding its statutory bounds”).

⁶³ *Cuozzo*, 579 U.S. at 266; *see also* Administrative Procedure Act § 1, 5 U.S.C. § 551. The Federal Circuit also alluded to leaving the door open for colorable constitutional claims. *Mylan*, 989 F.3d at 1382.

⁶⁴ 138 S.Ct. at 1359–60 (holding that judicial review was not precluded when the Board’s decision to institute IPR on only some claims contravened AIA section 314 and therefore violated the APA by exceeding the Board’s statutory authority).

⁶⁵ 140 S.Ct. 1367, 1370 (2020) (holding that the Board’s application of 35 U.S.C. § 315(b)’s time limit on IPR institution was nonappealable under AIA section 314(d)).

⁶⁶ *PTAB Decisions Not Binding*, 1 Annotated Patent Digest § 2:51 (Apr. 2022) (citing SOP-2, *supra* note 7, at I.B, III.D).

to the PTAB.⁶⁷ Precedential decisions concern “major policy or procedural issues,” whereas informative decisions provide the PTAB’s “norms on recurring issues.”⁶⁸ “A precedential decision is binding Board authority in subsequent matters involving similar facts or issues”⁶⁹; such a decision must be approved by the Director.⁷⁰ Although a precedential decision is binding on the PTAB, it has no binding effect on federal courts.⁷¹

The *NHK-Fintiv* Rule is the result of two precedential decisions—issued in 2018 and 2020—and is binding on PTAB panels when considering IPR petitions.⁷² In *NHK Spring v. Intri-Plex*

⁶⁷ See SOP-2, *supra* note 7, at II.A, C (“The Precedential Opinion Panel generally will be used to establish binding agency authority concerning major policy or procedural issues, or other issues of exceptional importance in the limited situations where it is appropriate to create such binding agency authority through adjudication before the Board.”).

⁶⁸ *Precedential and Informative Decisions*, U.S. PAT. & TRADEMARK OFF. <https://www.uspto.gov/patents/ptab/precedential-informative-decisions> (last accessed Apr. 15, 2023).

⁶⁹ SOP-2, *supra* note 7, at Section III.D.

⁷⁰ *Arthrex v. Smith & Nephew*, 941 F.3d 1320, 1331 (Fed. Cir. 2019), *reversed on other grounds*.

⁷¹ See *Facebook v. Windy City Innovations*, 973 F.3d 1321, 1350 (Fed. Cir. 2020) (“Thus, just as we give no deference to nonprecedential Board decisions, we see no reason to afford deference to POP opinions.”).

⁷² The Rule is a combination of two precedential decisions. This was not the first time that the PTAB issued a precedential decision outlining a framework for applying its discretion to IPR petitions. In *General Plastic v. Canon*, the Board “offer[ed] a multifactor analysis for determining whether a petition for review that might otherwise merit institution should nevertheless be rejected in order to preserve ‘the efficiency of the *inter partes* review process and the fundamental fairness of the process for all parties.’” Vishnubhakat, *supra* note 7, at 104 (citing *General Plastic Indus. v. Canon Kabushiki Kaisha*, No. IPR2016-01357, Paper 19 (P.T.A.B. Sept. 06, 2017) (designated precedential Oct. 18, 2017)). The factors were: “(1) whether the same petitioner previously filed a petition directed to the same claims of the same patent; (2) whether at the time of filing of the first petition the petitioner knew of the prior art asserted in the second petition or should have known of it; (3) whether at the time of filing of the second petition the petitioner already received the patent owner’s preliminary response to the first petition or received the Board’s decision on whether to institute review in the first petition; (4) the length of time that elapsed between the time the petitioner learned of the prior art asserted in the second petition and the filing of the second petition; (5) whether the petitioner provides adequate explanation for the time elapsed between the filings of multiple petitions directed to the same claims of the same patent; (6) the finite resources of the Board; and (7) the requirement under 35 U.S.C. § 316(a)(11) to issue a final determination not

Technologies, the Board found that the “advanced state of the district court proceeding . . . weighs in favor of denying [IPR]” because NHK had asserted the same arguments in both its petition for IPR and before the district court.⁷³ In *Apple v. Fintiv*, the Board elaborated on *NHK*, naming six nonexclusive factors⁷⁴ that the Board must consider holistically⁷⁵ when a patent is subject to parallel litigation. Thus, *Fintiv* gave the PTAB the green light to consider events in district court and ITC proceedings, related to the same patent, as part of its institution decision.⁷⁶

The *NHK-Fintiv* Rule created a procedural hurdle for IPR by requiring that petitioners respond in detail to the six-factor test, allowing the PTAB to determine whether parallel litigation was fatal to the IPR petition.⁷⁷ While no one factor is dispositive, petitioners have been successful in reversing Board denials through Request for Rehearing by focusing on the second and fourth *Fintiv* factors—related to proximity of the trial date and overlap of issues between the proceedings.⁷⁸ This is seemingly in line with *NHK*, where the Board noted that efficiency weighed in favor of denying review where a “district court proceeding will analyze the same issues and will be

later than 1 year after the date on which the Director notices institution of review.” *Id.*

⁷³ *NHK*, 2018 WL 4373643, at *7; *see also Fintiv*, 2020 WL 2126495, at *3 (“*NHK* applies to the situation where the district court has set a trial date to occur earlier than the Board’s deadline to issue a final written decision in an instituted proceeding.”). Prior to petitioning for IPR, NHK was sued for patent infringement by Intri-Plex in district court. *See generally Intri-Plex Techs. v. NHK Int’l*, No. 17-CV-01097-EMC (N.D. Cal. Feb. 01, 2018), 2018 WL 659017.

⁷⁴ The six factors are: (1) whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted; (2) proximity of the court’s trial date to the Board’s projected statutory deadline for a final written decision; (3) investment in the parallel proceeding by the court and the parties; (4) overlap between issues raised in the petition and in the parallel proceeding; (5) whether the petitioner and the defendant in the parallel proceeding are the same party; and (6) other circumstances that impact the Board’s exercise of discretion, including the merits. *Fintiv*, 2020 WL 2126495, at *2.

⁷⁵ *See id.* at *3 (quoting 35 U.S.C. § 316(b)) (“in evaluating the factors, the Board takes a holistic view of whether efficiency and integrity of the system are best served by denying or instituting review”).

⁷⁶ *Id.*

⁷⁷ Tova Werblowsky, *The Impact of Arthrex on Discretionary Denial of IPR Petitions*, UNIFIED PATENTS (July 22, 2021).

⁷⁸ Troy V. Viger et al., *Fintiv Factors 2 and 4 Save Petitioner’s Request for Rehearing* 11 NAT’L L. REV. (2021).

resolved before any trial on the Petition concludes.”⁷⁹

In 2020, the PTAB continued to expand the precedential decisions surrounding the *NHK-Fintiv* Rule; it added two additional cases applying the *Fintiv* factors, placing heavy weight on the first and fourth *Fintiv* factors when deciding whether to institute IPR. First, in *Sotera Wireless v. Masimo*, the Board found that a petitioner’s stipulation agreeing not to pursue grounds covered by IPR in district court weighed strongly in favor of institution.⁸⁰ Second, in *Snap v. Srk Technology*, the Board found that a stay of district court proceedings, pending a decision on IPR institution, also weighed strongly in favor of institution.⁸¹ Additionally, a question arose as to how consideration of the merits of an IPR—as required under the AIA—fits within the analysis. The merits are purportedly considered as part of *Fintiv*’s sixth factor—but in some cases, IPR was instituted despite the absence of success on the merits.⁸² Therefore, it is possible that the *Fintiv* factors have become more important than likelihood of success on the merits in IPR institution decisions.

Almost as soon as *Fintiv* came down, a flood of litigation centered around the *NHK-Fintiv* Rule invaded district courts, with major technology companies arguing that the Rule undermines the IPR regime.⁸³ In 2021, tension developed between companies seeking to invalidate the Rule and district courts following the Supreme Court’s

⁷⁹ *NHK*, 2018 WL 4373643, at *7.

⁸⁰ See IPR2020-01054 (P.T.A.B. Dec. 01, 2020), 2020 WL 7049825, at *6–7 (precedential, designated: Dec. 17, 2020) (finding that institution was favored when the petitioner agreed to a broad stipulation not to pursue in district court litigation any ground that it raised, or could have raised, in the IPR).

⁸¹ No. IPR2020-00819 (P.T.A.B. Oct. 21, 2020), 2020 WL 6164607, at *4 (precedential, designated: Dec. 12, 2020).

⁸² See *Quest Diagnostics v. Ravgen*, IPR2021-00788 (P.T.A.B. Oct. 19, 2021), 2021 WL 3640527, Paper 23 at 37 (“Petitioner has met its institution burden as addressed below, but we are not prepared on this preliminary record to characterize the merits of Petitioner’s challenge as especially ‘strong.’ At the same time, we do not see glaring weaknesses in Petitioner’s case based on the arguments made to date. The merits are neutral to marginally weighing against discretionary denial for purposes of the *Fintiv* analysis.”).

⁸³ See Rational Patent Blog, *supra* note 6, at 37 (“Apple, Cisco, Google, and Intel . . . argu[ed] that the rule conflicts with the AIA and is undermining the IPR regime.”); see also Jan Wolfe, *Apple, Google team up to sue patent office over ‘invalid’ policy change*, 27 WESTLAW J. INTELL. PROP. 1, 2 (2020) (“Congress dictated in the AIA exactly when litigation should take precedence over IPR and vice versa, and the *NHK-Fintiv* rule contravenes Congress’ judgment.”).

prior holdings concerning nonappealable IPR institution decisions.⁸⁴ Two companies—Mylan Laboratories and Apple—petitioned the Supreme Court for *certiorari* after the Federal Circuit refused to hear their challenges for lack of subject matter jurisdiction over IPR non-institution decisions.⁸⁵ Both parties laid out similar arguments including, *inter alia*: (1) the Federal Circuit possessed appellate jurisdiction; (2) the *NHK-Fintiv* Rule was arbitrary and capricious, in violation of the APA; and (3) the Rule was adopted without the notice-and-comment rulemaking required under the APA.⁸⁶

The Solicitor General opposed *certiorari*, arguing that the PTO was not required to undergo notice-and-comment procedures to exercise a discretionary power; further, disapproval of its current approach could not justify the Court’s intervention, given that it was now soliciting public comments.⁸⁷ However, several *amicus* briefs supported *certiorari*, bringing up public policy points that the *NHK-Fintiv* Rule exacerbates forum shopping and increases nuisance suits by Patent Assertion Entities (“PAE”).⁸⁸ But on January 18, 2022, the Court denied *certiorari* for both petitions.⁸⁹ The denials of *certiorari* left open questions surrounding judicial challenges to the PTAB’s use of the *NHK-Fintiv* Rule.

⁸⁴ See, e.g., *Apple*, 2021 WL 5232241, at *6 (“Plaintiffs’ challenge does not fit within the categories of non-precluded review.”).

⁸⁵ See Petition for Writ of Certiorari, *Apple*, *supra* note 15; Petition for Writ of Certiorari at 2, *Mylan Lab’s v. Janssen Pharm., N.V.*, 142 S.Ct. 874 (2022) (No. 21-202), 2021 WL 3598273, at *2. These challengers directly appealed the Board’s decision denying IPR institution.

⁸⁶ See APA rulemaking requirements, 5 U.S.C. §§ 551, 553 (discussed *infra*, Section IV).

⁸⁷ See Brief for the Federal Respondent in Opposition, *Mylan Lab’s v. Janssen Pharm., N.V.*, 142 S.Ct. 874 (2022) (No. 21-202), 2021 WL 5138214, at *10 (“In any event, this case would be a poor vehicle to consider the questions presented, given that the agency has sought public input on and is currently considering whether to modify the *Fintiv* factors.”); see also Request for Comments on Discretion to Institute Trials Before the Patent Trial and Appeal Board, 85 Fed. Reg. 66,502 (Oct. 20, 2020).

⁸⁸ See, e.g., Brief For Leading Innovators As Amici Curiae In Support Of Petitioner, *Apple v. Optis Cellular Tech.*, 142 S.Ct. 859 (2022) (No. 21-118), 2021 WL 3884298, at *13. I address these concerns *infra*, Section V.

⁸⁹ See Order Denying Certiorari at 2, *Apple v. Optis Cellular Tech.*, 142 S.Ct. 859 (2022) (No. 21-118); Order Denying Certiorari at 4, *Mylan Lab’s v. Janssen Pharm., N.V.*, 142 S.Ct. 874 (2022) (No. 21-202); see also Eakin, *supra* note 17 (explaining that following these denials, “Intel’s petition is the latest in a series of rejections the Supreme Court has handed down to those challenging the rule”) (citing Petition for Writ of Certiorari, *Intel v. VLSI Tech.*, 142 S.Ct. 1363 (2022) (No. 21-888), 2021 WL 5983252).

In 2022, the PTO Director responded to the outcry over the Rule.⁹⁰ Far from abrogating the Rule’s reach, the guidance instead limited the Rule to cases involving parallel district court proceedings; it also promised not to use *Fintiv* to deny IPR institution where the “petition presents compelling evidence of unpatentability.”⁹¹ Moreover, the guidance aligned with the Solicitor General’s comments, stating that the PTO is exploring potential rulemaking to memorialize *Fintiv*.⁹² However, in a subsequent notice of proposed rulemaking—issued in 2023—the agency doubled down, implying that it could create “rules of practice” for IPR through adjudication.⁹³

Following the Director’s guidance, major technology players again sought judicial review of the *NHK-Fintiv* Rule, this time bringing suit directly against the Director.⁹⁴ Notably, prior suits had appealed directly from the PTAB’s non-institution decisions—in that procedural posture, the appeals may have been viewed as challenging the Director’s discretion to institute IPR. Indeed, in its suit against the Director, the Federal Circuit reversed on a limited ground the district court’s order dismissing Apple’s suit.⁹⁵ The panel held that Apple’s challenge could proceed on the theory that the Director’s guidance was improperly issued without notice and comment procedures.⁹⁶

Despite recent progress, justiciability questions linger, focusing primarily on whether the *NHK-Fintiv* Rule’s potential APA

⁹⁰ See Memorandum, Interim Procedure For Discretionary Denials In AIA Post-Grant Proceedings With Parallel District Court Litigation, U.S. PAT. & TRADEMARK OFF. 1, 2 (June 21, 2022) (issuing guidance clarifying the “PTAB’s current application of *Fintiv* to discretionary institution where there is parallel litigation”). The memorandum was “issued under the Director’s authority to issue binding agency guidance to govern the PTAB’s implementation of various statutory provisions, including directions regarding how those statutory provisions will apply to sample fact patterns.” *Id.* at 3 (citing 35 U.S.C. § 3(a)(2)(A); SOP 2 at 1–2).

⁹¹ *Id.* at 2.

⁹² *Id.*

⁹³ See Changes Under Consideration to Discretionary Institution Practices, Petition Word-Count Limits, and Settlement Practices for America Invents Act Trial Proceedings Before the Patent Trial and Appeal Board, 88 Fed. Reg. 24,503, 24,504 (Apr. 21, 2023) (“The changes under consideration build on and codify existing precedent and guidance on Director’s discretion to determine whether to institute an IPR or PGR.”).

⁹⁴ See *Apple*, 2021 WL 5232241, at *6.

⁹⁵ *Apple v. Vidal*, 63 F.4th 1, 1 (Fed. Cir. 2023).

⁹⁶ *Id.*; see also Justin J. Gillett & David J.K. Hulett, *Judicial Review Is Available for PTO Director’s Fintiv Rulemaking Procedure*, KNOBBE MARTENS (Mar. 16, 2023).

or Constitutional violations permit judicial review.⁹⁷ Given the Federal Circuit’s stamp of approval on claims challenging the Rule’s APA rulemaking procedures—or lack thereof—procedural challenges will likely take center stage in the near future. There is also a question of whether the Rule is part of a larger jurisdiction stripping scheme—under the statute prescribing discretionary IPR institution decisions—that unlawfully strips Article III courts of appellate jurisdiction. In Part IV, I address each potential challenge in turn.

IV. JUSTICIABILITY OF THE *NHK-FINTIV* RULE

When challenging agency action, a threshold question entails justiciability—whether judicial review is available for the particular action challenged. Embedded in our country’s jurisprudence is the tenet that judges have the power to review laws and to declare them unconstitutional.⁹⁸ And a strong presumption exists that “Congress intends judicial review of administrative action.”⁹⁹ Congress was seemingly mindful of the important role judicial review serves when it enacted the APA in 1946.¹⁰⁰ In fact, the APA expressly codifies the presumption favoring judicial review of agency action.¹⁰¹

In *Cuozzo Speed Technologies v. Lee*, the Supreme Court laid out a framework for launching a successful challenge against agency action, holding that the APA enables reviewing courts to “set aside

⁹⁷ Prior to the denial of *certiorari*, scholars opined that “the recent lawsuit challenging the establishment of the alleged ‘*NHK-Fintiv* rule,’ along with the Office’s request for comment concerning the same, raise additional questions including whether these precedential cases with their associated guidance will survive or change going forward.” Scott Seeley & Tim Seeley, *Establishment and Use of Non-Exclusive Factors to Deny Institution Under Ss 314(a) and 325(d)*, 20 CHI.-KENT J. INTELL. PROP. 169, 179 (2021).

⁹⁸ See *Marbury v. Madison*, 5 U.S. 137, 177 (1803) (“the province and duty of the judicial department is to say what the law is”).

⁹⁹ TODD GARVEY, CONG. RSCH. SERV., R41546, A BRIEF OVERVIEW OF RULEMAKING AND JUDICIAL REVIEW 1, 13 (Mar. 27, 2017) (citing *Bowen v. Mich. Acad. Family Phys.*, 476 U.S. 667, 670 (1986)).

¹⁰⁰ See Carol R. Miaskoff, *Judicial Review of Agency Delay and Inaction Under Section 706(1) of the Administrative Procedure Act*, 55 GEO. WASH. L. REV. 635, 636 (1987) (“The judicial review provisions of the APA represent Congress’s efforts to codify the doctrine of judicial review as interpreted by the Supreme Court at the time of the APA’s enactment.”).

¹⁰¹ See 5 U.S.C. § 704 (“Agency action made reviewable by statute and final agency action for which there is no other adequate remedy in a court are subject to judicial review.”). The Administrative Procedure Act (APA), codified at 5 U.S.C. §§ 551–559, 701–706 (1982), is most commonly known by its U.S. Code designations. Therefore, this Article will refer to APA sections by their U.S.C. designations.

agency action” that is “contrary to constitutional right,” “in excess of statutory jurisdiction,” or “arbitrary [and] capricious.”¹⁰² This language—taken directly from the APA—was also quoted by the Federal Circuit when reviewing allegations that the PTAB violated the APA’s requirements of notice and opportunity to be heard.¹⁰³ Indeed, practitioners have picked up on these Courts’ cues.¹⁰⁴

Against this backdrop, a conceivable challenge exists against the *NHK-Fintiv* Rule on both procedural and substantive grounds. First, the Rule can be challenged for failing to comply with procedural requirements enumerated in the APA. Second, the content of the Rule and the statutory scheme surrounding the Rule are fair game for challenges. Before exploring these various challenges, I explain why they are justiciable under the APA.

A. *Judicial Review Of Agency Rulemaking*

The APA’s general review provisions provide a private cause of action against agencies—a cognizable claim requires a legal injury caused by final agency action.¹⁰⁵ If judicial review is available, courts have the power to opine on legal issues.¹⁰⁶ A reviewing court may (1) compel agency action that is unlawfully withheld or unreasonably delayed, and (2) hold and set aside agency actions that are unlawful.¹⁰⁷ Under this first prong, courts can use writs of mandamus to address agency inaction.¹⁰⁸ Under the second prong, courts can rule on agency

¹⁰² 579 U.S. at 275 (citing 5 U.S.C. § 706).

¹⁰³ See *Novartis AG v. Torrent Pharms*, 853 F.3d 1316, 1324 (Fed. Cir. 2017) (citing 5 U.S.C. § 706) (“Under the APA, we must ‘hold unlawful and set aside agency action . . . not in accordance with law [or] . . . without observance of procedure required by law.’”). In *Novartis*, an IPR petitioner challenged the PTAB’s adjudicatory procedures under APA section 554. The Federal Circuit rejected the petitioner’s contention that the Board relied on prior art in its final written decision that it had previously ruled out in its IPR institution decision.

¹⁰⁴ See, e.g., Grace E. Kim, *NHK-Fintiv Rule - APA Violation?*, OBLON (Apr. 21, 2021) (“However, there is another avenue in which the *NHK-Fintiv* rule may be challenged, under the Administrative Procedure Act.”).

¹⁰⁵ See 5 U.S.C. § 702 (“A person suffering legal wrong because of agency action, or adversely affected or aggrieved by agency action within the meaning of a relevant statute, is entitled to judicial review thereof.”); *Lujan v. Nat’l Wildlife Fed’n*, 497 U.S. 871, 882 (1990).

¹⁰⁶ See 5 U.S.C. § 706 (stating courts “decide all relevant questions of law, interpret constitutional and statutory provisions, and determine the meaning or applicability of the terms of an agency action”).

¹⁰⁷ *Id.* at § 706(1)–(2).

¹⁰⁸ Miaskoff, *supra* note 100, at 635–37.

actions that are unlawful; such actions occur when, *inter alia*, they are “contrary to constitutional right, power, privilege, or immunity,” or “without observance of procedure required by law.”¹⁰⁹ Accordingly, if agency action falls within this scope of review, courts have the authority to override the agency and invalidate such action.

Here, framing a challenge to the *NHK-Fintiv* Rule as a challenge to agency rulemaking puts the claim within the scope of APA judicial review.¹¹⁰ The default rule is that final agency action is reviewable¹¹¹; rulemaking is final agency action.¹¹² Under the APA, agency actions are subject to judicial review unless (1) enabling statutes “preclude judicial review”; or (2) “agency action is committed to agency discretion by law.”¹¹³ Simply put, the APA does not bar judicial review of PTO rulemaking because that action does not fall within either exception to review.

First, nothing in the agency’s enabling statute expressly precludes judicial review. True, IPR institution decisions themselves

¹⁰⁹ 5 U.S.C. § 706(2)(B). Additionally, this section defines actions as unlawful when they are (A) arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law, and (C) in excess of statutory jurisdiction, authority, or limitations, or short of statutory right. I address these implications *infra*, Sections IV.B–C.

¹¹⁰ Of course, plaintiffs must comply with other justiciability doctrines such as standing. This Article focuses only on finding a cause of action that falls within the APA’s judicial review provisions.

¹¹¹ 5 U.S.C. § 704. Final agency action is (1) action by which rights or obligations have been determined; or (2) action from which legal consequences will flow; in either case the action must also consummate the agency’s decision-making process. *Bennett v. Spear*, 520 U.S. 154, 177–78 (1997).

¹¹² 5 U.S.C. § 551(13); *Lujan*, 497 U.S. at 882. The Government takes the position that the *NHK-Fintiv* Rule is not final agency action. Defendant’s Reply in Support of the Motion to Dismiss Plaintiffs’ Amended Complaint, No. 5:20-cv-06128-EJD (N.D. Cal. Feb. 04, 2021), 2021 WL 855966, at *17 (E.C.F. 95). This contention misconstrues the law. It is true that nonlegislative rules are generally not considered final agency action. *Ass’n Flight Attendants-CWA, AFL-CIO v. Huerta*, 785 F.3d 710, 719 (D.C. Cir. 2015). But agency action with “direct and appreciable legal consequences” is final. *Bennett*, 520 U.S. at 178 (explaining where relevant actors have absolute discretion to accept or reject reports containing tentative recommendations, no final action occurs). And agency guidance documents that are binding on regulated entities or in conflict with existing regulations constitute final action. *Huerta*, 785 F.3d at 717–19. As discussed *infra*, the *NHK-Fintiv* Rule easily qualifies as final agency action.

¹¹³ 5 U.S.C. § 701(a).

are unreviewable.¹¹⁴ However, the Supreme Court emphasized that decisions on whether to comply with APA rulemaking procedures are “quite apart from the matter of substantive reviewability.”¹¹⁵ Moreover, preclusion of judicial review in one section of a statute is not alone enough to preclude review under another section of the same statutory scheme.¹¹⁶ Thus, the IPR statute’s jurisdiction stripping provision for substantive decisions cannot serve as a categorical bar to challenging rulemaking related to IPR.¹¹⁷

Second, no implied preclusion exists—this exception precludes review of agency action (1) committed to agency discretion directly, or (2) lacking a standard for courts to use in evaluating its legality.¹¹⁸ To be sure, IPR institution *decisions* are committed to the Director’s discretion by law.¹¹⁹ But—as the Federal Circuit recently held—agency rulemaking is not committed to agency discretion by law.¹²⁰ Further, APA section 553 provides a “meaningful standard” by which to judge the Director’s process choice.¹²¹ Accordingly, judicial review is not precluded for challenges to the PTO’s promulgation of rules related to IPR institution.

Moreover, precedent supports judicial review of agency action involving the promulgation of rules, even when those rules are associated with discretionary action such as in IPR institution. In fact, discretionary decisions themselves are reviewable when they give rise to colorable Constitutional claims by aggrieved parties.¹²² Indeed, the

¹¹⁴ See 35 U.S.C. § 314(d) (“The determination by the Director whether to institute an *inter partes* review under [§ 314] shall be final and nonappealable.”).

¹¹⁵ *Lincoln v. Vigil*, 508 U.S. 182, 195 (1993).

¹¹⁶ See *Sackett v. E.P.A.*, 566 U.S. 120, 129 (2012) (“But if the express provision of judicial review in one section of a long and complicated statute were alone enough to overcome the APA’s presumption of reviewability for all final agency action, it would not be much of a presumption at all.”).

¹¹⁷ See *Block v. Cmty. Nutrition Inst.*, 467 U.S. 340, 351 (1984) (holding “the presumption favoring judicial review [be found] overcome, whenever the congressional intent to preclude judicial review is ‘fairly discernible in the statutory scheme’”).

¹¹⁸ 5 U.S.C. § 701(a)(2); see also *Dep’t of Com. v. New York*, 139 S.Ct. 2551, 2567–68 (2019).

¹¹⁹ 35 U.S.C. § 314; see *Saint Regis Mohawk Tribe*, 896 F.3d at 1327 (“If the Director decides not to institute, for whatever reason, there is no review.”).

¹²⁰ See *Apple*, 63 F.4th at 9, 15 (holding “the Director’s choice of whether to use notice-and-comment rulemaking to announce instructions for the institution decision” is not a matter committed to agency discretion by law).

¹²¹ *Id.*

¹²² See *Webster v. Doe*, 486 U.S. 592, 603–04 (1988) (“Nothing in § 102(c) persuades us that Congress meant to preclude consideration of

Supreme Court has already applied the principles of APA judicial review to the IPR context, analyzing whether the PTO's actions were appropriate in the context of IPR. For example, in *SAS Institute v. Iancu*, the Court held that because the Director contravened the AIA and APA in instituting IPR procedures, judicial review was appropriate; the Court found that the Director had exceeded statutory bounds.¹²³ In contrast, in *Cuozzo Speed Technologies v. Lee*, the Court analyzed whether the PTO could apply the broadest reasonable interpretation (“BRI”) standard to claim construction in IPR—the Court held that “the regulation represents a reasonable exercise of the rulemaking authority that Congress delegated to the [PTO].”¹²⁴ *Cuozzo* illustrates the point nicely: the Supreme Court upheld the PTO's Rule on BRI precisely because it was properly promulgated.¹²⁵ And the PTO had explained how it complied with the APA's required steps for promulgation of a rule.¹²⁶

Therefore, the APA provides a path to judicial review of the *NHK-Fintiv* Rule. In Section B, I address one avenue—specifically, challenging the Rule as improperly bypassing notice and comment procedures. Then, in Section C, I address other possible ways to successfully challenge the Rule.

B. *Challenging The NHK-Fintiv Rule Under APA Rulemaking Provisions*

The most promising avenue for challenging the *NHK-Fintiv* Rule lies in the Rule's promulgation without notice and comment procedures. Before launching the attack, it is necessary to set out the legal framework under which executive agencies operate. Agencies

colorable constitutional claims arising out of the actions of the Director pursuant to that section; we believe that a constitutional claim based on an individual discharge may be reviewed by the District Court.”); *see also Wong v. Warden, FCI Raybrook*, 171 F.3d 148, 149 (2d Cir. 1999) (“It is well-established that judicial review exists over allegations of constitutional violations even when the agency decisions underlying the allegations are discretionary.”).

¹²³ *See* 138 S.Ct. at 1359–60 (holding that courts can set aside agency action when “the Patent Office has engaged in ‘shenanigans’ by exceeding its statutory bounds”).

¹²⁴ 579 U.S. at 280.

¹²⁵ Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board, 83 Fed. Reg. 51,340 (Oct. 11, 2018).

¹²⁶ *PTAB issues claim construction final rule, Procedures*, U.S. PAT. & TRADEMARK OFF., <https://www.uspto.gov/patents/ptab/procedures/ptab-issues-claim-construction> (last accessed April 23, 2022).

such as the PTO are part of the Executive Branch of government; these agencies derive their power from the legislature as they receive authority to create administrative law through enabling statutes enacted by Congress.¹²⁷ “Administrative agencies can develop law in two distinct ways: adjudication and rulemaking.”¹²⁸ Because of this dual nature, agencies are dubbed both “quasijudicial” and “quasilegislative.”¹²⁹

In general, an agency has the choice to make laws through a formal process or through *stare decisis* by relying on orders handed down through adjudication.¹³⁰ However, an agency cannot decide the method of rulemaking when Congress explicitly restricts the agency’s power through legislation.¹³¹

The APA dedicates a handful of provisions to an agency’s ability to promulgate rules when carrying out its statutorily prescribed duties. Rulemaking and adjudication are two distinct processes. A “rule” is defined—in summary—as any part of an agency statement designed to prescribe law or policy.¹³² In comparison, an “adjudication” is a “process for the formulation of an order,” where an

¹²⁷ Jeffrey J. Rachlinski, *Rulemaking Versus Adjudication: A Psychological Perspective*, 32 FLA. STATE U.L. REV. 529, 530 (2005) (citing *Nat’l Petroleum Refiners v. F.T.C.*, 482 F.2d 672, 676 (D.C. Cir. 1973)).

¹²⁸ *Id.* at 529.

¹²⁹ See *id.* at 529–30 (“An agency relying on adjudication will function much like a common law court. It will develop a body of caselaw that will allow affected parties to infer general principles from the outcomes of the cases. By contrast, an agency relying on rulemaking will function much like a legislature. It will promulgate abstract rules in detail and then expect adjudicative bodies to apply those rules in individual cases.”).

¹³⁰ See *Sec. & Exch. Comm’n v. Chenery*, 332 U.S. 194, 203 (1947) (“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.”).

¹³¹ See *Bowen v. Georgetown Univ. Hosp.*, 488 U.S. 204, 208 (1988) (“It is axiomatic that an administrative agency’s power to promulgate legislative regulations is limited to the authority delegated by Congress.”).

¹³² See 5 U.S.C. § 551(4) (“rule” means “the whole or a part of an agency statement of general or particular applicability and future effect designed to implement, interpret, or prescribe law or policy or describing the organization, procedure, or practice requirements of an agency and includes the approval or prescription for the future of rates, wages, corporate or financial structures or reorganizations thereof, prices, facilities, appliances, services or allowances therefor or of valuations, costs, or accounting, or practices bearing on any of the foregoing”), (5) (“rule making” means “agency process for formulating, amending, or repealing a rule”).

“order” is any final agency disposition not derived from rulemaking.¹³³

1. The *NHK-Fintiv* Rule Is A Legislative Rule Promulgated Without Notice-And-Comment Rulemaking

To challenge the *NHK-Fintiv* Rule under the APA’s rulemaking provisions, a plaintiff must establish that the Rule (1) is a legislative rule that (2) did not comply with notice-and-comment procedures. It is undisputed that the PTO did not institute notice and comment prior to implementing its precedential decisions.¹³⁴ Thus, the linchpin lies in whether the *NHK-Fintiv* Rule constitutes a legislative rule that ran afoul of procedural requirements. But what exactly are the *NHK* and *Fintiv* decisions? The PTO has been somewhat inconsistent in its classification of the *NKH-Fintiv* decisions. Although the PTO has referred to the *NHK-Fintiv* Rule as the “decisions” and not as a “rule,”¹³⁵ case law supports that these two precedential decisions function as a legislative rule in administrative law land. Indeed, the Rule does not fall within any exception to rulemaking procedures.

Under administrative law, rules are defined expansively to include any agency statement having general applicability and future effect.¹³⁶ Only legislative rules have the force and effect of law, as distinguished from nonlegislative rules, such as interpretive rules and policy statements.¹³⁷ Further, legislative rules must comply with the procedures enumerated in the APA.¹³⁸ Absent contrary expression, informal rulemaking is the procedural default that agencies must comply with when promulgating legislative rules.¹³⁹ Informal

¹³³ See *id.* at § 551(6) (“order” means the whole or a part of a final disposition, whether affirmative, negative, injunctive, or declaratory in form, of an agency in a matter other than rule making but including licensing), (7) (“adjudication” means agency process for the formulation of an order).

¹³⁴ See Brief for the Federal Respondent in Opposition, 2021 WL 5138214, at *10 (acknowledging that notice and comment occurred after the *NHK-Fintiv* Rule went into effect).

¹³⁵ See Memorandum, *supra* note 90, at 1–2 (referring to *Fintiv* as a “precedential decision” and using the term “*Fintiv* factors”).

¹³⁶ 5 U.S.C. § 551(4).

¹³⁷ *Appalachian Power v. E.P.A.*, 208 F.3d 1015, 1020 (D.C. Cir. 2000).

¹³⁸ See *id.* (“A ‘legislative rule’ is one the agency has duly promulgated in compliance with the procedures laid down in the statute or in the Administrative Procedure Act.”)

¹³⁹ See *Vermont Yankee Nuclear Power. v. Nat. Res. Def. Council*, 435 U.S. 519, 520 (1978) (holding that courts cannot impose additional procedural

rulemaking—known as “notice-and-comment” rulemaking—requires, *inter alia*, providing notice in the Federal Register and an opportunity for the public to participate in the process.¹⁴⁰

However, a variety of exceptions exist for situations where the rule’s structural elements excuse agency compliance with informal rulemaking procedures. Unlike legislative rules, these nonlegislative “rules” are not substantive rules that “grant rights, impose obligations, or produce other significant effects on private interests.”¹⁴¹ First, agency housekeeping rules that outline agency procedures and organization are exempt from notice-and-comment rulemaking.¹⁴² Likewise, interpretive rules that express an agency’s interpretation of a statute are exempt; the same is true for policy statements.¹⁴³ Finally, an agency can skip procedures for good cause, where abiding by such requirements is “impracticable, unnecessary, or contrary to the public interest.”¹⁴⁴

There is no doubt that the *NHK-Fintiv* Rule fits comfortably within the legislative rule sphere.¹⁴⁵ Recall the two hallmarks of legislative rules are general applicability and future effect.¹⁴⁶ As discussed, the Rule applies generally to all IPR petitions that involve parallel district court proceedings, and it exerted future effect the moment it emerged from its cocoon. In fact, the Director’s recent guidance confirmed the Rule’s extensive application on both regulatees

requirements on agency rulemaking beyond those required by APA section 553).

¹⁴⁰ See *N.L.R.B. v. Wyman-Gordon*, 394 U.S. 759, 764 (1969) (discussing 5 U.S.C. § 553 and explaining section 553 requires (1) publishing a notice of the proposed rule in the Federal Register; (2) allowing interested persons an opportunity to comment on the proposed rule; (3) publishing the final rule no less than thirty days prior to its effective date; and (4) providing interested persons with an avenue to petition for amendment or repeal of the rule).

¹⁴¹ *Am. Hosp. Ass’n v. Bowen*, 834 F.2d 1037, 1045 (D.C. Cir. 1987).

¹⁴² 5 U.S.C. § 553(b)(3)(A). Housekeeping rules “ensure that agencies retain latitude in organizing their internal operations.” *Am. Hosp. Ass’n*, 834 F.2d at 1047.

¹⁴³ 5 U.S.C. § 553(b)(3)(A). Interpretive rules “allow agencies to explain ambiguous terms in legislative enactments without having to undertake cumbersome proceedings”; policy statements “allow agencies to announce their tentative intentions for the future without binding themselves.” *Am. Hosp. Ass’n*, 834 F.2d at 1045–46.

¹⁴⁴ 5 U.S.C. § 553(b)(3)(B).

¹⁴⁵ As discussed *infra*, the Government’s arguments disputing this conclusion are unpersuasive. See generally Defendant’s Reply in Support of the Motion to Dismiss Plaintiffs’ Amended Complaint, No. 5:20-cv-06128-EJD (N.D. Cal. Feb. 04, 2021), 2021 WL 855966.

¹⁴⁶ 5 U.S.C. § 551(4).

and agency employees.¹⁴⁷ But the public has a legitimate interest in participating in agency decisions affecting rights “to avail oneself of an administrative adjudication.”¹⁴⁸ And the Rule certainly has affected petitioners’ right to avail themselves of IPR proceedings.¹⁴⁹ Moreover, the agency’s recent notice of proposed rulemaking buttresses the need for public involvement by acknowledging that rulemaking for IPR institution constitutes significant regulatory action.¹⁵⁰ Thus, even though the PTAB has reigned in the Rule’s use in discretionary denials,¹⁵¹ so long as the Rule remains *available* to preclude access to IPR, the need for notice-and-comment rulemaking remains.

The Rule’s classification as a legislative rule is bolstered by the fact that it cannot find solace under the APA’s safe harbor. First, the *NHK-Fintiv* Rule is not a policy statement. Under the Binding Effect Test—used to distinguish policy statements from legislative rules—agency statements that impose new duties are legislative rules for which agencies are required to undergo notice and comment procedures; conversely, nonlegislative rules leave the agency free to exercise discretion.¹⁵² Even if an agency only binds its own employees,

¹⁴⁷ See Memorandum, *supra* note 90, at 9 (“This interim guidance applies to all proceedings pending before the Office. This interim guidance will remain in place until further notice. The Office expects to replace this interim guidance with rules after it has completed formal rulemaking.”).

¹⁴⁸ *Nat’l Motor Freight Traffic Ass’n v. United States*, 268 F. Supp. 90, 96 (D.D.C. 1967).

¹⁴⁹ See *PTAB Discretionary Denials Up 60%+ in 2020: Fueled Entirely by 314(a) Denials*, *supra* note 11 (reporting that the use of the *NHK-Fintiv* Rule in discretionary denials increased 1,300% in 2020).

¹⁵⁰ See Changes Under Consideration to Discretionary Institution Practices, Petition Word-Count Limits, and Settlement Practices for America Invents Act Trial Proceedings Before the Patent Trial and Appeal Board, 88 Fed. Reg. at 24,518 (“This rulemaking has been determined to be significant for purposes of E.O. 12866 (Sept. 30, 1993).”). Executive Order 12,866 is a transparency initiative that requires a cost-benefit analysis for “significant regulatory action” that, *inter alia*, has “an annual effect on the economy of \$100 million or more” or “[m]aterially alter[s] the budgetary impact of entitlements, grants, user fees, or loan programs or the rights and obligations of recipients thereof.” Presidential Documents, Regulatory Planning and Review, Exec. Order No. 12,866, 58 Fed. Reg. 51,735 (Oct. 04, 1993).

¹⁵¹ See *Patent Trial and Appeal Board Parallel Litigation Study*, U.S. PAT. & TRADEMARK OFF. 1, 23 (June 2019), www.uspto.gov/sites/default/files/documents/ptab_parallel_litigation_study_20220621.pdf (reporting that the Rule played a role in only 2% of discretionary denials in fiscal year 2022 Q1).

¹⁵² *Cnty. Nutrition Inst. v. Young*, 818 F.2d 943, 945–46 (D.C. Cir. 1987).

and not regulatees, its action is subject to rulemaking procedures.¹⁵³ In short, the Rule requires IPR petitioners to plead the *Fintiv* factors and ALJs to assess these factors. There is no indication that either entity can abstain from the Rule’s directive—in fact, the Director herself treats the *NHK-Fintiv* Rule as mandatory.¹⁵⁴ Because the Rule has present effect and precludes agency discretion in carrying out its policy, it cannot be a policy statement.

Nor does the Rule square with the alternative definition of a policy statement: “statements issued by an agency to advise the public prospectively of the manner in which the agency proposes to exercise a discretionary power.”¹⁵⁵ To be sure, the Director has unfettered discretion to grant or deny IPR institution.¹⁵⁶ But recall that the AIA gives the Director the authority to prescribe *regulations* setting standards for IPR institution.¹⁵⁷ It is clear that designating a PTAB decision as “precedential” through an adjudicative process—that does not follow the procedure for promulgating regulations under the APA—does not create an agency rule.¹⁵⁸ And an agency cannot avoid the APA’s rulemaking process by employing adjudicatory proceedings.¹⁵⁹ Thus, although the PTO purports to “issue new or updated policies through regulation, precedential or informative decisions, and/or a

¹⁵³ See *id.* at 949 (holding agency promulgated legislative rule when the “FDA by virtue of its own course of conduct has chosen to limit its discretion and promulgated action levels which it gives a present, binding effect”).

¹⁵⁴ See *Commscope Techs. v. Dali Wireless*, No. IPR2022-01242 (P.T.A.B. Feb. 27, 2023), 2023 WL 2237986, at *3 (“Accordingly, I vacate the Board’s Decision and remand this proceeding to the Board to revisit its *Fintiv* analysis in view of this Decision. The Board should first assess *Fintiv* factors 1–5; if that analysis supports discretionary denial, the Board should engage the compelling merits question.”).

¹⁵⁵ *Chrysler v. Brown*, 441 U.S. 281, 302 n.31 (1979) (quoting Final Report of Attorney General’s Committee on Administrative Procedure 27 (1941)).

¹⁵⁶ 35 U.S.C. § 314.

¹⁵⁷ *Id.* at § 316.

¹⁵⁸ As Justice Fortas explained, although “[a]djudicated cases may . . . serve as vehicles for the formulation of agency policies, . . . generally provide a guide to action that the agency may be expected to take in future cases, . . . [and] may serve as precedents, . . . adjudication[s] are not ‘rules’ in the sense that they must, without more, be obeyed by the affected public.” *N.L.R.B.*, 394 U.S. at 765–66.

¹⁵⁹ See *id.* at 764 (“There is no warrant in law for the Board to replace the statutory scheme with a rule-making procedure of its own invention.”).

Director guidance memorandum,”¹⁶⁰ Congress mandated the agency use regulations to craft IPR institution standards. In sum, the agency did not merely propose a method for exercising discretionary power—it implemented and executed a method by skipping the proposal stage.

Second, the *NHK-Fintiv* Rule is not an interpretive rule. The critical question for this exception is “whether the rule merely states what [the agency] thinks the statute means, or creates new law, rights, or duties.”¹⁶¹ Here, the answer is straightforward—the Rule is not interpretive because it creates an entirely new duty for persons petitioning for IPR institution. The Rule also fails to pass muster under the alternate Legal Effect Test that differentiates between an interpretive rule and a legislative rule, where a rule is legislative if any of the four factors are answered in the affirmative.¹⁶² Under this test, at least one factor weighs in favor of the Rule’s classification as a legislative rule: absent the rule, there would not be an adequate legislative basis for the agency’s action.¹⁶³ When considering IPR petitions, the only factor required by statute is likelihood of success on the merits.¹⁶⁴ And there are no prior PTO regulations enumerating additional factors, as required by statute.¹⁶⁵ There simply is no legal basis for *requiring* use of additional factors not properly promulgated under APA rulemaking procedures.

Third, the *NHK-Fintiv* Rule is not a mere procedural housekeeping rule. The touchstone of this category is agency action that does not alter the rights or interests of parties before the agency but merely alters the *process in which* parties interact with the

¹⁶⁰ Request for Comments on Director Review, Precedential Opinion Panel Review, and Internal Circulation and Review of Patent Trial and Appeal Board Decisions, 87 Fed. Reg. 43,249, 43,252 (July 20, 2022).

¹⁶¹ *Metro. Sch. Dist. of Wayne Twp. v. Davila*, 969 F.2d 485, 490 (7th Cir. 1992).

¹⁶² *See Am. Mining Cong. v. Mine Safety & Health Admin.*, 995 F.2d 1106, 1112 (D.C. Cir. 1993) (differentiating on the basis of “whether the purported interpretive rule has ‘legal effect,’ which in turn is best ascertained by asking (1) whether in the absence of the rule there would not be an adequate legislative basis for enforcement action or other agency action to confer benefits or ensure the performance of duties, (2) whether the agency has published the rule in the Code of Federal Regulations, (3) whether the agency has explicitly invoked its general legislative authority, or (4) whether the rule effectively amends a prior legislative rule. If the answer to any of these questions is affirmative, we have a legislative, not an interpretive rule.”).

¹⁶³ *Id.*

¹⁶⁴ 35 U.S.C. § 314(a).

¹⁶⁵ *See id.* at § 316(a)(2) (“The Director shall prescribe regulations . . . setting forth the standards for the showing of sufficient grounds to institute a review under section 314(a).”).

agency.¹⁶⁶ For example, a rule was designated procedural when it only changed the agency's internal process for handling license applications but applied the same standard in evaluating the applications that existed prior to the new rule.¹⁶⁷ Here, in contrast, there is no prior rule that sets the standard for making decisions on IPR institution beyond that enumerated in the statute. The critical fact here is that the *NHK-Fintiv* Rule changed the *substantive standards* by which the PTAB evaluates IPR applications.¹⁶⁸ Prior to the Rule, the agency was only required to consider the merits of an IPR—now, the agency is *required* to consider five other factors before even reaching the merits of the petition. Indeed, the *Fintiv* factors dominate the PTAB's reasoning in institution denials and control the analysis in the majority of IPR decisions granting institution.¹⁶⁹ By changing the substantive criteria by which the agency makes decisions on IPR institution, the Rule falls outside the procedural exception.

Finally, the *NHK-Fintiv* Rule cannot be excused from rulemaking procedures for good cause. To be sure, the Supreme Court has implied that an agency can delay procedures when implementing an interim rule under the good cause exception, so long as those procedures eventually occur.¹⁷⁰ However, an agency must meet one of the prongs justifying good cause by showing that APA requirements

¹⁶⁶ *JEM Broad. v. F.C.C.*, 22 F.3d 320, 326 (D.C. Cir. 1994).

¹⁶⁷ *Id.* at 327.

¹⁶⁸ *Contra id.* (emphasis in original) (holding FCC's new rule fell "comfortably within the realm of the 'procedural'" exception because the rule "did not change the *substantive standards* by which the FCC evaluates license applications"). The Government maintains that the "[*Fintiv* factors] do not establish a specific criterion for institution or denial." Defendant's Reply, 2021 WL 855966, at *18. But by their nature, precedential decisions are binding on the agency. SOP-2, *supra* note 7, at Section III.D. And the Director's recent guidance establishes certain standards, including a "compelling evidence test." See Memorandum, *supra* note 90, at 2, 5 n.6 ("the PTAB will not rely on the *Fintiv* factors to discretionarily deny institution in view of parallel district court litigation where a petition presents compelling evidence of unpatentability").

¹⁶⁹ See *Discretion Dominant: 45% Of All 2021 Institutions Analyzed Fintiv*, UNIFIED PATENTS (Mar. 21, 2022) (reporting that in 2021, more than 45% of all IPR institution decisions addressed the *Fintiv* factors, with 77% of decisions granting institution addressing the factors and more than 50% of the page count devoted to the factors in institution denials).

¹⁷⁰ See *Little Sisters of the Poor Saints Peter & Paul Home v. Pennsylvania*, 140 S.Ct. 2367, 2374–75, 2384 (2020) (holding "[t]he request for comments in the 2017 IFRs readily satisfies [APA § 553's] requirements," although the agency promulgated final rules five years earlier without comment).

are “impracticable, unnecessary, or contrary to the public interest.”¹⁷¹ Impracticability involves emergency situations where delay could result in serious harm; the situation must pose an imminent threat to public safety, the environment, or national security.¹⁷² Notably, mere economic hardship is insufficient under this prong.¹⁷³ No one could reasonably argue that the *NHK-Fintiv* Rule staves off irreparable harm of this proportion. Next, the “unnecessary” prong is “confined to those situations in which the administrative rule is a routine determination, insignificant in nature and impact, and inconsequential to the industry and to the public.”¹⁷⁴ The fact that the Rule constitutes significant regulatory action dispels the notion that it is inconsequential. Lastly, the public interest prong is rarely met; it applies when ordinary timing and disclosure requirements would defeat the purpose of the proposed rule.¹⁷⁵ Government price controls are one category of rules where this narrow exception may apply.¹⁷⁶

This brings us back to the threshold issue: whether the *NHK-Fintiv* Rule was instituted and used in a way that violates APA procedures. As the above analysis demonstrates, the answer to this question is likely yes because (1) the *NHK-Fintiv* Rule is a legislative rule, and (2) the Solicitor General concedes that the PTO did not comply with APA rulemaking procedures.¹⁷⁷ Here, after implementing the Rule in a binding status on the PTAB, the PTO admitted that the Rule was put forth “in lieu of rulemaking.”¹⁷⁸ In October 2020, the

¹⁷¹ *Mack Trucks v. E.P.A.*, 682 F.3d 87, 93 (D.C. Cir. 2012) (citing 5 U.S.C. § 553(b)(3)(B)).

¹⁷² *Id.* at 93–94.

¹⁷³ *Id.* at 94.

¹⁷⁴ *Id.* (quoting *Util. Solid Waste Activities Grp. v. E.P.A.*, 236 F.3d 749, 755 (D.C. Cir. 2001)).

¹⁷⁵ *Id.* at 94–95.

¹⁷⁶ See, e.g., *Mobil Oil v. United States Dep't of Energy*, 728 F.2d 1477, 1492 (Temp. Emer. Ct. App. 1983) (finding “a significant threat of serious damage to important public interests” where “announcement of the deemed recovery rule would cause price discrimination and other market dislocations and dampen competition”).

¹⁷⁷ Cf. *N.L.R.B.*, 394 U.S. at 765 (“[t]he Solicitor General does not deny that the Board ignored the rule-making provisions of the Administrative Procedure Act”).

¹⁷⁸ See U.S. PAT. & TRADEMARK OFF., PUBLIC VIEWS ON DISCRETIONARY INSTITUTION OF AIA PROCEEDINGS 1 (Jan. 2021) (“On October 20, 2020, in lieu of proposed rulemaking, the USPTO issued a Request for Comments (RFC) to obtain feedback from stakeholders on the Patent Trial and Appeal Board’s current case-specific approaches to exercising discretion on whether to institute an America Invents Act proceeding and whether the Office should promulgate rules based on these approaches.”).

PTO published a notice in the Federal Register seeking comments and explaining that it was considering codifying current policies and practices through rulemaking.¹⁷⁹ Moreover, the PTAB acknowledges that the *Fintiv* factors apply to discretionary action on IPR institution, at least “in part.”¹⁸⁰ Therefore, the *NHK-Fintiv* Rule functions as a legislative rule enacted without notice-and-comment rulemaking. But only rules issued in compliance with APA section 553 have the force and effect of law.¹⁸¹ The question now becomes not whether the Rule violated mandatory APA rulemaking procedures, but what to do about it.

2. Under The APA, Judicial Review Of The *NHK-Fintiv* Rule Is Not Completely Barred

The pressing question faced by practitioners is how to bring a cognizable challenge to the Rule. As of now, the answer to that question is unclear. What is clear is that accused infringers are losing the game of Whack-a-Mole. I conclude that under the APA, judicial review is not precluded when an agency’s deviation from APA rulemaking procedures creates a cognizable statutory or Constitutional challenge.

i. Statutory Challenges Under APA Sections 706(2)(B) And 702(2)(D)

It is apparent that Congress sought to ensure that avenues of redress were available should agencies not follow the procedures outlined in the APA.¹⁸² And the Supreme Court has confirmed as much,

¹⁷⁹ Request for Comments on Discretion To Institute Trials Before the Patent Trial and Appeal Board, 85 Fed. Reg. at 66,503.

¹⁸⁰ See *Snap*, 2020 WL 6164607, at *3 (“In *NHK Spring Co. v. Intri-Plex Techs., Inc.*, the Board denied institution relying in part on § 314(a) because the parallel district court proceeding was scheduled to finish before the Board reached a final decision.” [Recall that this consideration is the second factor in the *Fintiv* factors.]).

¹⁸¹ See Garvey, *supra* note 99, at 1 (citing *Nat’l Mining Ass’n v. McCarthy*, 758 F.3d 243, 250 (D.C. Cir. 2014)) (“Legislative rules have the ‘force and effect of law’ and may be promulgated only after public notice and comment.”).

¹⁸² See *Morton v. Ruiz*, 415 U.S. 199, 232 (1974) (explaining that Congress enacted the APA to provide that “administrative policies affecting individual rights and obligations be promulgated pursuant to certain stated procedures so as to avoid the inherently arbitrary nature of unpublished ad hoc determinations”).

emphasizing that an agency's power to make rules "carries with it the responsibility . . . to employ procedures that conform to the law."¹⁸³ Under the *Cuozzo* framework, there are two possible ways to challenge an agency's deviation from APA rulemaking procedures: (1) the action is contrary to law; and (2) the action violates a Constitutional right.¹⁸⁴ These attacks align with the APA's judicial review provisions which sanction challenges for identical reasons.¹⁸⁵ Perhaps most salient to review of agency action, these types of challenges both receive *de novo* review.¹⁸⁶

Challenges to agency procedure are not without precedent. In fact, review of Supreme Court decisions relating to IPR confirms this theory—procedural challenges are favored over substantive challenges. First, in *Cuozzo*, the Court looked at the legal standard applied by the PTAB to claim construction in IPR.¹⁸⁷ Next, in *SAS*, the Justices struck down the PTO's practice of partial IPR institution and partial adjudication, holding that the action exceeded the PTAB's statutory authority for IPR procedure.¹⁸⁸ On the same day, in *Oil States v. Greene's Energy*, the Court held that the invalidation of a patent in IPR, as opposed to in an Article III court, did not pose a Constitutional problem.¹⁸⁹ Then, in *Thryv v. Click-To-Call*, the Court ruled on the PTAB's application of its statute of limitations, holding that the Board's application of a statute that is closely related to IPR is nonappealable.¹⁹⁰ Finally, challengers should not overlook Justice Thomas's nod to Due Process claims in *Oil States*—the most recent case to grapple with a Constitutional challenge to IPR procedure.¹⁹¹

¹⁸³ *Id.* (citing *N.L.R.B.*, 394 U.S. at 764).

¹⁸⁴ 579 U.S. at 275 (citing 5 U.S.C. § 706(2)).

¹⁸⁵ See 5 U.S.C. § 706(2)(B) ("The reviewing court shall . . . hold unlawful and set aside agency action, findings, and conclusions found to be contrary to constitutional right, power, privilege, or immunity"), (2)(D) ("The reviewing court shall . . . hold unlawful and set aside agency action, findings, and conclusions found to be without observance of procedure required by law").

¹⁸⁶ See *Kisor v. Wilkie*, 139 S.Ct. 2400, 2433 (2019) (Gorsuch, J., concurring) ("Though one hardly needs to be an academic to recognize the point, 'commentators in administrative law have "generally acknowledged" that Section 706 seems to require *de novo* review on questions of law."').

¹⁸⁷ 579 U.S. at 280.

¹⁸⁸ 138 S.Ct. at 1359–60.

¹⁸⁹ 138 S.Ct. 1365, 1378–79 (2018).

¹⁹⁰ See 140 S.Ct. at 1370 (holding that the Board's application of 35 U.S.C. § 315(b)'s time limit on IPR institution was nonappealable under AIA section 314(d)).

¹⁹¹ See 138 S.Ct. at 1379 ("Nor has *Oil States* raised a due process challenge."). In *Oil States*, the petitioner challenged IPR under the Seventh Amendment's right to a jury trial and did not raise other issues of

First, there is a question of whether the Rule's enactment transgresses *procedural* statutory bounds. Courts at all levels take issue with an agency circumventing the APA's rulemaking provisions, condemning the action as falling outside of the agency's designated power.¹⁹² Indeed, the Supreme Court concurs and has specifically addressed cases where an agency failed to comply with the APA's rulemaking provisions. In *NLRB v. Wyman-Gordon*, the Court held that an agency does not have discretion to bypass the APA's requirements when promulgating rules in adjudicatory proceedings.¹⁹³ The Court further explained that it had never sanctioned rulemaking which did not comply with the APA.¹⁹⁴ Therefore, it appears that enactment and compulsory use of the *NHK-Fintiv* Rule exceeds statutory bounds within the IPR statutory scheme.

Moreover, Federal Circuit judges have questioned the

constitutionality. Importantly, the Court described IPR as a public right yet implicitly indicated that some constitutional claims were not precluded. See *id.* at 1376, 1379 (“Thus, the public-rights doctrine covers the matter resolved in *inter partes* review . . . [w]e emphasize the narrowness of our holding. We address the constitutionality of *inter partes* review only.”). This is significant because litigants generally do not have the right to adjudicate their claims in an Article III court when the case involves public rights. *N. Pipeline Const. v. Marathon Pipe Line*, 458 U.S. 50, 67 (1982). But although litigants may have fewer procedural rights in public rights cases, the Court was hesitant to endorse the idea that IPR need not be subject to any type of Article III review. See *Oil States*, 138 S.Ct. at 1379 (“we need not consider whether *inter partes* review would be constitutional ‘without any sort of intervention by a court at any stage of the proceedings’”).

¹⁹² District courts have found that when agencies promulgate a new regulation “without notice, public participation, or thirty-day delayed effective date,” the interim regulation should be suspended pending completion of the appropriate procedural steps; “it is well established that the harm suffered by those who would otherwise participate in agency rulemaking under the APA is to be considered irreparable when the agency fails to afford them their rights to such participation.” *Cnty. Nutrition Inst. v. Butz*, 420 F. Supp. 751, 757 (D.D.C. 1976) (issuing a preliminary injunction blocking a regulation instituted by the Department of Agriculture without following the procedures outlined in APA section 553). Federal Courts of Appeals have reacted similarly. See *Allina Health Servs. v. Sebelius*, 746 F.3d 1102, 1109 (D.C. Cir. 2014) (“The most egregious are cases in which a government agency seeks to promulgate a rule by another name—evading altogether the notice and comment requirements.”).

¹⁹³ See 394 U.S. at 764 (holding agencies lack “discretion to promulgate new rules in adjudicatory proceedings, without complying with the requirements of the Administrative Procedure Act”).

¹⁹⁴ *Id.* at 765 n.4.

constitutionality of the *NHK-Fintiv* Rule's origin,¹⁹⁵ opining that even issuing a precedential opinion after notice, public comment, and hearing "is not equivalent in form or substance to traditional notice-and-comment rulemaking."¹⁹⁶ Indeed, the public agrees: "most commenters favored rulemaking on when the Director should exercise discretion to institute an AIA proceeding."¹⁹⁷ Thus, even with the Solicitor General's argument that the notice-and-comment period is "in progress,"¹⁹⁸ the *NHK-Fintiv* Rule cannot stand as an agency rule—the APA calls for this process to happen *prior* to implementation of any rule or regulation.¹⁹⁹

Even assuming, *arguendo*, that the *NHK-Fintiv* Rule could qualify as a housekeeping rule, interpretive rule, or policy statement under a tortured reading of the APA, it would nonetheless run afoul of APA procedural requirements. Under APA section 552, agencies must publish all rules—including those exempt from notice-and-comment rulemaking under section 553—in the Federal Register.²⁰⁰ Agencies cannot circumvent this publication requirement by claiming that unpublished agency documents supplied timely notice, especially when that document's effect is "widespread and immediate."²⁰¹ Thus, use of the Rule prior to publication in the Federal Register could create a cause of action for parties adversely affected by IPR institution decisions premised on the Rule.²⁰² For the Rule was not mentioned in the Federal Register until October 2020, almost six months after *Fintiv* was designated as precedential.²⁰³ Upon publication, the PTO did not

¹⁹⁵ See *Facebook*, 973 F.3d at 1350 ("There is no indication in the statute that Congress either intended to delegate broad substantive rulemaking authority to the Director to interpret statutory provisions through POP [precedential] opinions or intended him to engage in any rulemaking other than through the mechanism of prescribing regulations.").

¹⁹⁶ *Id.* at 1353.

¹⁹⁷ USPTO, *supra* note 178, at 2.

¹⁹⁸ Brief for the Federal Respondent in Opposition, WL 5138214, at *10.

¹⁹⁹ 5 U.S.C. § 553.

²⁰⁰ See *id.* at § 552(a)(1)(D) ("Each agency shall make available to the public information as follows: . . . substantive rules of general applicability adopted as authorized by law, and statements of general policy or interpretations of general applicability formulated and adopted by the agency.").

²⁰¹ *Anderson v. Butz*, 550 F.2d 459, 463 (9th Cir. 1977).

²⁰² See 5 U.S.C. § 552(a)(1) ("Except to the extent that a person has actual and timely notice of the terms thereof, a person may not in any manner be required to resort to, or be adversely affected by, a matter required to be published in the Federal Register and not so published.").

²⁰³ Request for Comments on Discretion To Institute Trials Before the Patent Trial and Appeal Board, 85 Fed. Reg. at 66,504.

notify the public of the Rule's mandatory nature but instead explained that it was considering promulgating rules based on the *Fintiv* factors.²⁰⁴ Arguably, the Rule was not officially presented to the public until the Director's recent memorandum. However, this did not satisfy section 552's requirements because changes in agency policy must be published prior to acting on that policy.²⁰⁵ The memorandum did not merely reiterate information published in prior regulations.²⁰⁶ Notably, this has implications for IPR institution decisions handed down after the *NHK-Fintiv* Rule went into play.

There is also a related question of whether the Rule's enactment transgresses *substantive* statutory bounds. The APA permits review of agency action that is *ultra vires*, where an agency acts outside of its delegated powers and contrary to specific statutory prohibitions.²⁰⁷ Here, the argument goes: because the AIA prohibits developing IPR institution standards by non-rulemaking processes, implementing standards without notice-and-comment rulemaking runs contrary to Congress's express directive and results in *ultra vires* agency action. This argument is likely to succeed for at least two reasons: (1) the agency cannot get around the clear statutory language requiring rulemaking; and (2) even if APA review is generally precluded, the common law provides an exception to preclusion for *ultra vires* action.²⁰⁸

The PTO could counter this attack by arguing that the PTAB's implementation of the *NHK-Fintiv* Rule falls under its power to prescribe regulations for IPR. This invokes a question of statutory

²⁰⁴ *Id.*

²⁰⁵ *Brecker v. Queens B'nai B'rith Hous. Dev. Fund*, 798 F.2d 52, 56–57 (2d Cir. 1986).

²⁰⁶ *Cf. id.* (holding agency memoranda did not violate section 552 when they did not alter established agency policy and contained information provided in the applicable regulations).

²⁰⁷ *Fed. Express v. United States Dep't of Com.*, 39 F.4th 756, 763 (D.C. Cir. 2022). *Ultra vires* claims are equitable actions—this common law “form of judicial review survived the enactment of the APA,” and remains available when APA review is foreclosed. *Id.* The APA also permits judicial review of *ultra vires* agency action. See 5 U.S.C. § 706(2)(C) (“The reviewing court shall . . . hold unlawful and set aside agency action, findings, and conclusions found to be in excess of statutory jurisdiction, authority, or limitations, or short of statutory right.”). Because APA review is available for the *NHK-Fintiv* Rule, it is unnecessary to invoke the common law.

²⁰⁸ See *Leedom v. Kyne*, 358 U.S. 184, 188–89 (1958) (holding district court has jurisdiction to review agency action “in excess of its delegated powers and contrary to a specific prohibition” in a statute, despite preclusion of review of the substance of final agency decisions).

interpretation—is the agency allowed to interpret AIA section 316 as allowing it to determine which procedure to utilize to birth such regulations? To be sure, courts afford *Chevron* deference to agencies when the agency is making interpretive choices in applying a statute.²⁰⁹ But *Chevron* deference only applies when a statute is ambiguous.²¹⁰ In other words, the plain terms of a statute control.²¹¹

Here, Congress’s directive is crystal clear—the AIA gives the Director authority to prescribe *regulations* setting the standards for IPR institution.²¹² Notably, the word “shall” in the statute is “mandatory” and “normally creates an obligation impervious to judicial discretion.”²¹³ Establishing legislative rules through adjudication is

²⁰⁹ See *Chevron U.S.A v. Natural Resources Defense Council*, 467 U.S. 837, 844 (1984) (“[w]e have long recognized that considerable weight should be accorded to an executive department’s construction of a statutory scheme it is entrusted to administer”). However, *Chevron* has been neutered by the Supreme Court’s Major Questions Doctrine, and its future looks bleak. See, e.g., Walter G. Johnson & Lucille M. Tournas, *The Major Questions Doctrine And The Threat To Regulating Emerging Technologies Regulating Emerging Technologies*, 39 SANTA CLARA HIGH TECH. L.J. 137, 144 (2023) (quoting *City of Arlington v. F.C.C.*, 569 U.S. 290, 304–05 (2013)) (“Make no mistake—the ultimate target here is *Chevron* itself.”).

²¹⁰ *Chevron*, 467 U.S. at 842–43. However, when statutory language is ambiguous, the Supreme Court has recently inquired into whether Congress delegated authority to the agency to resolve that ambiguity, especially when the agency’s interpretation “effects a fundamental revision of the statute.” *W. Virginia v. E.P.A.*, 142 S.Ct. 2587, 2612 (2022); see also *King v. Burwell*, 576 U.S. 473, 485–86 (2015) (holding where Congress did not delegate resolution of ambiguity to an agency, the Court itself should determine the statute’s correct reading without deferring to agency interpretation).

²¹¹ See, e.g., *United States v. Ron Pair Enterprises*, 489 U.S. 235, 242 (1989) (“The plain meaning of legislation should be conclusive, except in the ‘rare cases [in which] the literal application of a statute will produce a result demonstrably at odds with the intentions of its drafters.’”).

²¹² See 35 U.S.C. § 316 (“The Director shall prescribe regulations . . . setting forth the standards for the showing of sufficient grounds to institute a review under section 314(a).”). Subsequent legislative history also confirms that precedential decisions cannot set the standard for IPR institution. See S. 4417 § 2(d)(2)(B) (proposing legislation confirming that precedential decisions cannot “be construed to affect the obligation of the Director to prescribe regulations under section 316(a) or 326(a)”).

²¹³ *Lexecon v. Milberg Weiss Bershad Hynes & Lerach*, 523 U.S. 26, 35 (1998). While beyond the scope of this Article, it is possible to challenge the Director’s lack of promulgating regulations for IPR institution standards. When Congress orders an agency to prescribe regulations and it fails to act, a challenger may petition to compel unreasonably delayed agency action. However, agency delay must be “so egregious as to warrant mandamus” for a

simply not an option.²¹⁴ And based on Supreme Court precedent, it is unlikely that courts would be inclined to accept, and defer to, rules introduced by an agency which did not comport with Congressional delegation.²¹⁵ Moreover, the PTO's contrary interpretation would be trumped by the clear language of the AIA which mandates that agencies promulgate regulations in accordance with law.²¹⁶ In this case, the required procedures are defined by APA section 553.²¹⁷ Therefore, even if the PTO has authority to enact IPR rules, it must do so by permissible means.²¹⁸

Indeed, the Supreme Court has reconciled discretionary agency action with statutory limits in a case almost directly on point. In *Massachusetts v. EPA*, the Court analyzed a statutory provision—requiring the EPA to prescribe rules regulating greenhouse gases—that mirrors the directive to promulgate regulations on IPR institution.²¹⁹ The agency had refused to promulgate such rules because it would be “unwise.”²²⁰ After interpreting the statute, the

court to take jurisdiction over such a claim. *Telecomms. Rsch. & Action Ctr. v. F.C.C.*, 750 F.2d 70, 79 (D.C. Cir. 1984).

²¹⁴ The canon of construction *expressio unius est exclusio alterius* bolsters this interpretation. This canon “creates a presumption that when a statute designates certain persons, things, or manners of operation, all omissions should be understood as exclusions.” *Silvers v. Sony Pictures Entm't*, 402 F.3d 881, 885 (9th Cir. 2005) (en banc).

²¹⁵ See *United States v. Mead*, 533 U.S. 218, 227 (2001) (“We hold that administrative implementation of a particular statutory provision qualifies for *Chevron* deference when it appears that Congress delegated authority to the agency generally to make rules carrying the force of law, and that the agency interpretation claiming deference was promulgated in the exercise of that authority.”).

²¹⁶ See 35 U.S.C. § 2(b)(2) (“[The PTO] may establish regulations, *not inconsistent with law*”) (emphasis added).

²¹⁷ *Vermont Yankee*, 435 U.S. at 520.

²¹⁸ See *M'Culloch v. State*, 17 U.S. 316, 316 (1819) (“If the end be legitimate, and within the scope of the constitution, all the means which are appropriate, which are plainly adapted that end, and which are not prohibited, may constitutionally be employed to carry it into effect.”).

²¹⁹ See 549 U.S. 497, 528 (2007) (interpreting an enabling statute that read, in relevant part: “[the agency] shall by regulation prescribe . . . standards applicable to the emission of any air pollutant . . . which in [the Administrator's] judgment cause, or contribute to, air pollution which may reasonably be anticipated to endanger public health or welfare”).

²²⁰ *Id.* at 532. It is true that *Massachusetts* concerned a petition for agency rulemaking. But the underlying premise applies equally to the case at bar: when a statute contains trigger criteria (i.e. if the agency finds “X,” it must make rules regulating “X”), the agency is not free to pursue options outside of

Court concluded that it provided the agency with “direction to exercise discretion within defined statutory limits”; in other words, agency discretion “is not a roving license to ignore the statutory text.”²²¹ Accordingly, an agency must engage in rulemaking when so directed by Congress.

Notably, a panoply of challengers have tried—and failed—to strike down the *NHK-Fintiv* Rule on procedural grounds.²²² However, these were not cases against the agency itself; instead, they resulted from directly appealing the IPR institution decision.²²³ And the Federal Circuit breathed new life into claims of the former nature, indicating that a cognizable claim existed against the Director for falling to abide by APA section 553.²²⁴ But this type of challenge must be carefully crafted to avoid butting heads with the discretionary nature of IPR institution. Apple’s recent case against the Director illustrates this point—its claim for *ultra vires* action fell because it was framed in a

rulemaking. In *Massachusetts*, the agency acknowledged the trigger criteria—that emissions affected human health—but refused to promulgate regulations. Likewise, here, the Director acknowledged the trigger criteria—the standard for IPR institutions—and can only address these criteria through rulemaking.

²²¹ *Id.* at 533.

²²² For example, Mylan presented the broad question whether the *NHK-Fintiv* Rule is substantively and procedurally unlawful. Petition for Writ of Certiorari, *Mylan*, 2021 WL 3598273, at ii. Similarly, Apple submitted a broad request for review of the Federal Circuit’s judgment that it lacked appellate jurisdiction, but it did not present a precise question on statutory or constitutional procedure. Petition for Writ of Certiorari, 2021 WL 3207820, at 1. Intel’s petition followed the same theme, presenting a compound question on whether appellate jurisdiction exists, “where review is sought on the grounds that the denial rested on an agency rule that exceeds the PTO’s authority under the [AIA], is arbitrary or capricious, or was adopted without required notice-and-comment rulemaking.” Petition for Writ of Certiorari, *Intel*, 2021 WL 5983252, at i.

²²³ See *supra* note 222 (collecting cases). Apple is not the only plaintiff to bring suit directly against the agency; however, other plaintiffs lacked Article III standing to pursue suit against the Director. Compare *US Inventor v. Vidal*, No. 21-40601 (5th Cir. Sept. 30, 2022), 2022 WL 4595001, at *2, *4 (“Given the specific, uncertain series of events required under Plaintiff-Appellants’ theory of harm, we find their injury more closely analogous to the impermissibly speculative theory of injury rejected in *Clapper*.”) with *Apple*, 63 F.4th at 16 (“On a regular basis, for many years, it has been sued for infringement (giving it a concrete stake) and then petitioned for an IPR of patent claims at issue in that suit. Some of the petitions have been denied—for Apple, at least in *Fintiv* itself—based on the institution instructions at issue.”).

²²⁴ *Apple*, 63 F.4th at 14.

way that challenged the *substance* of the *NHK-Fintiv* Rule.²²⁵ As the Federal Circuit was quick to point out, this count challenged the content of the Director's actions; as such, it was barred by the IPR statute's preclusion of review.²²⁶ In fact, the Court distinguished the case from *SAS*, a case involving statutory interpretation of IPR statutes.²²⁷ This confirms the viability of framing the issue as one involving statutory interpretation of AIA section 316. In sum, so long as the issue is framed as whether the PTO has discretion under AIA section 316 to determine the method of regulating an IPR institution standard, it should succeed.

ii. Constitutional Challenges For
Procedural Due Process

The second possible challenge under *Cuozzo* implicates the Constitution—specifically whether a failure to comply with procedural requirements enumerated under the APA violates procedural Due Process under the Fifth Amendment.²²⁸ Procedural Due Process dictates that the Government must adhere to certain procedures in order to deprive a citizen of life, liberty, or property²²⁹; administrative procedure is not excluded from these requirements.²³⁰ The core of procedural Due Process entails notice, a hearing, and an impartial decision maker.²³¹ It is well understood that the APA codified various

²²⁵ See Complaint ¶ 64, *Apple v. Iancu*, No. 5:20-cv-6128 (N.D. Cal. Aug. 31, 2020), 2020 WL 5198351 (“By authorizing the Board to deny institution of IPR based on the pendency of a parallel proceeding, the *NHK-Fintiv* rule overrides the congressional judgments embodied in §§ 315(a) and (b).”).

²²⁶ *Apple*, 63 F.4th at 11–13.

²²⁷ *Id.* at 12.

²²⁸ This Amendment contains several provisions, one of which is known as the “Due Process Clause.” See U.S. CONST. amend. V (“No person shall be . . . deprived of life, liberty, or property, without due process of law”). While the Fifth Amendment is directed toward the federal government, the Due Process Clause applies equally to the states through the Fourteenth Amendment. See U.S. CONST. amend. XIV, § 1 (“nor shall any state deprive any person of life, liberty, or property, without due process of law”).

²²⁹ *Armstrong v. Manzo*, 380 U.S. 545, 552 (1965).

²³⁰ See *Gen. Elec. Co. v. E.P.A.*, 53 F.3d 1324, 1329 (D.C. Cir. 1995) (“But as long ago as 1968, we recognized this ‘fair notice’ requirement in the civil administrative context.”). At least one district court has opined that “the requirements of the Administrative Procedure Act are fundamental to due process.” *Bell Lines v. United States*, 263 F. Supp. 40, 46 (S.D. W.Va. 1967).

²³¹ Edward J. Eberle, *Procedural Due Process: The Original Understanding*, in 4 CONSTITUTIONAL COMMENTARY 339, 339 (1987); see also *Armstrong*, 380 U.S. at 552 (citing *Grannis v. Ordean*, 234 U.S. 385, 394

pre-existing principles of Due Process—a prominent example is the APA’s distinction between rulemaking and adjudication.²³² And the APA expressly permits judicial review of agency action contrary to Constitutional rights.²³³ Moreover, Constitutional challenges that are entirely collateral to substantive claims of entitlement are permissibly severed from deference to the agency’s judgment on the substantive issue.²³⁴ In other words, a party’s right to procedural fairness is separate from a party’s interest in the merits of an IPR institution decision.

To launch a successful Due Process challenge against the *NHK-Fintiv* Rule, a plaintiff would need to show (1) that a liberty or property interest is at stake, and (2) that they were deprived of that interest by a fundamentally unfair procedure. The first prong is fairly straightforward. Both the Supreme Court and the PTO have recognized that patents are considered property under the Due Process Clause, as well as under the Takings Clause of the Fifth Amendment.²³⁵ This begs the question of whether patentees who have had their patents invalidated in IPR proceedings that were instituted under the *NHK-Fintiv* framework have a colorable Constitutional claim for deprivation of their property rights. But what about IPR petitioners? While they do not suffer loss of intellectual property, there is no dispute that IPR denials can be costly.²³⁶ Alternatively, petitioners may succeed in arguing a right to access agency proceedings by analogizing to the Constitutional right to access courts.²³⁷

(1914)) (“The fundamental requirement of due process is the ‘opportunity to be heard’ . . . at a meaningful time and in a meaningful manner.”).

²³² However, “the requirements that were included in the statute were the minimum procedures necessary to ensure Due Process without hamstringing administrative agencies.” Emily S. Bremer, *The APA, Due Process, and the Limits of Textualist Positivism*, YALE J. REGUL. BLOG (Apr. 16, 2021) (discussing the Supreme Court’s landmark Due Process decisions, *Londoner* (1908) and *Bi-Metallic* (1915)).

²³³ 5 U.S.C. § 706(2)(B).

²³⁴ *Mathews v. Eldridge*, 424 U.S. 319, 330–31 (1976).

²³⁵ The Takings Clause of the Fifth Amendment states that private property shall not “be taken for public use, without just compensation.” U.S. CONST. amend. V; see also *Oil States*, 138 S.Ct. at 1379 (“[O]ur decision should not be misconstrued as suggesting that patents are not property for purposes of the Due Process Clause or the Takings Clause.”); *Celgene*, 931 F.3d at 1358 (“The PTO does not dispute that a valid patent is private property for the purposes of the Takings Clause.”).

²³⁶ See *infra*, Section V.

²³⁷ It is unclear whether—and to what extent—people have a right to agency proceedings. While a full analysis is beyond the scope of this Article, in short, the Constitution provides some type of right to court access. The Due

The second prong is tougher. The plaintiff must walk a fine line between arguing a procedural violation and disputing the merits of the IPR institution decision itself. The best argument likely surrounds the notice requirement—“[d]ue process requires that parties receive fair notice before being deprived of property.”²³⁸ In the absence of notice, “an agency may not deprive a party of property.”²³⁹ Importantly, this notice must occur *prior* to deprivation. Because notice of the *NHK-Fintiv* Rule was not provided in the Federal Register, parties can argue that sufficient notice was not provided. In fact, even if the Rule qualified as a nonlegislative rule, lack of publication could be fatal in a Due Process challenge.²⁴⁰

To be sure, procedural Due Process characteristically applies in adjudication and not in legislative proceedings like rulemaking.²⁴¹ But the Supreme Court has acknowledged that “action-forcing” procedures established by statute are “almost certain to affect the agency’s substantive decision.”²⁴² In other words, Congress “prescribes the necessary process,” not to “mandate particular results,” but to effectuate important policy goals.²⁴³ For example, requiring an agency to prepare an environmental impact statement ensures that the agency “carefully considers” detailed information and guarantees

Process Clause provides one source for the right. See *Tennessee v. Lane*, 541 U.S. 509, 523 (2004) (“The Due Process Clause also requires the States to afford certain civil litigants a ‘meaningful opportunity to be heard’ by removing obstacles to their full participation in judicial proceedings.”); see also Carol Rice Andrews, *A Right of Access to Court Under the Petition Clause of the First Amendment: Defining the Right*, 60 OHIO STATE L.J., 557, 569 (1999) (citing *Boddie v. Connecticut*, 401 U.S. 371, 382–83 (1971)) (“[I]n narrow circumstances due process requires states to open their courts to plaintiffs.”). The First Amendment may serve as another source. See Andrews, *supra* note 237, at 557 (“A universal right of court access is emerging, though, and it is coming from an unlikely source, the Petition Clause of the First Amendment.”).

²³⁸ *Gen. Elec.*, 53 F.3d at 1328.

²³⁹ *Id.*

²⁴⁰ See *Butz*, 550 F.2d at 463 (holding nonlegislative rule’s lack of publication fails to provide a party with timely notice).

²⁴¹ See Evelyn R. Sinaiko, Comment, *Due Process Rights of Participation in Administrative Rulemaking*, 63 CAL. L. REV. 886, 892 n.24 (1975) (citing *Bi-Metallic Inv. v. State Bd. of Equalization*, 239 U.S. 441 (1915); *Londoner v. Denver*, 210 U.S. 373 (1908)) (discussing “the disparate procedural requirements imposed in adjudicative and rulemaking proceedings”).

²⁴² *Robertson v. Methow Valley Citizens Council*, 490 U.S. 332, 350 (1989).

²⁴³ *Id.* at 348–50.

dissemination of that information, improving public transparency.²⁴⁴ Similarly, rulemaking ensures that the agency carefully considers stakeholder input through the notice-and-comment process and responds on the record, assuring the public that the agency has indeed considered any concerns in its decision-making process.²⁴⁵ Therefore, where Congress has required an agency to use rulemaking—as with IPR institution standards—the mandated procedures should be scrutinized in the same way they would have if they occurred in an adjudicative setting. Thus, a Constitutional Due Process challenge may be more appropriate for all parties seeking to challenge rules governing IPR institution.

C. *Alternative Challenges To The NHK-Fintiv Rule*

Even if the Rule was not promulgated in violation of the APA's rule-making process and is not void on procedural grounds, there are other cognizable challenges that might be justiciable: (1) the Rule is arbitrary and capricious; (2) the Rule is unconstitutional, as applied, under the Supreme Court's holding in *United States v. Arthrex*²⁴⁶; and (3) the Rule is part of a broader statutory scheme that is unconstitutional for jurisdiction stripping.

1. Statutory Challenges Under APA Section 706(2)(A)

First, several challengers to the *NHK-Fintiv* Rule have argued that the Rule is arbitrary and capricious, in violation of APA section 706.²⁴⁷ On one hand, the Supreme Court explicitly stated that this would be a permissible challenge to IPR procedure. On the other hand, some district courts, along with the Federal Circuit, have interpreted the High Court's cases as not allowing a challenge premised on the *Fintiv* factors themselves. Thus, it may come down to how a challenger crafts their argument. "This 'catch-all' review standard of the APA applies to factual determinations made during informal rulemaking . . . and most other discretionary determinations an agency makes."²⁴⁸ Under this prong, a court should only invalidate irrational agency

²⁴⁴ *Id.* at 349.

²⁴⁵ *Cf. id.* (cleaned up) ("It gives the public the assurance that the agency has indeed considered environmental concerns in its decisionmaking process.").

²⁴⁶ 141 S.Ct. at 1987.

²⁴⁷ *See* 5 U.S.C. § 706(2)(A) ("The reviewing court shall . . . hold unlawful and set aside agency action, findings, and conclusions found to be arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law.").

²⁴⁸ Garvey, *supra* note 99, at 14.

determinations.²⁴⁹ Attacking state action under such a deferential standard puts a challenger at a disadvantage from the outset.

The strongest argument for this type of challenge seems to lie with *Fintiv*'s second factor, pertaining to the proximity of district court litigation.²⁵⁰ In recent Requests for Rehearing, the PTAB has weighed this factor heavily.²⁵¹ But, many people take issue with the fact that the PTAB takes a district court's time estimate at face value²⁵²; this can be especially problematic in so-called "rocket docket" venues,²⁵³ where certain litigants are disproportionately disadvantaged because of sham forum shopping in districts that do not grant stays.²⁵⁴ In fact, one study showed that "[w]hen evaluating future trial dates, the Board was wrong 94% of the time."²⁵⁵ Another possibility is with the fourth factor, where

²⁴⁹ See *id.* (explaining courts should only strike down agency actions that fail to "examine the relevant data and articulate a satisfactory explanation for [the] action including a 'rational connection between the facts found and the choice made'").

²⁵⁰ *Fintiv*, 2020 WL 2126495, at *2.

²⁵¹ Viger, *supra* note 78.

²⁵² The Board "generally take[s] trial courts' trial schedules at face value absent some strong evidence to the contrary." *Fintiv*, 2020 WL 2486683, at *5; see also Andrew T. Dufresne et al., *How reliable are trial dates relied on by the PTAB in the Fintiv analysis?*, 1600 PTAB & BEYOND BLOG, PERKINS COIE (Oct. 29, 2021) (citing Scott McKeown, *District Court Trial Dates Tend to Slip After PTAB Discretionary Denials*, PATENTS POST-GRANT BLOG, ROPES & GRAY (July 24, 2020)) ("Some have questioned that approach, citing limited data sets that suggested such trial dates often change and therefore present an unreliable basis for denying institution.").

²⁵³ See, e.g., McKeown, *supra* note 252. "Rocket-docket" venues are known for allowing patent holders to move through the pretrial process more quickly than in other venues, getting to trial sooner. See, e.g., Jeff Bounds, *New Patent Infringement Lawsuits in East Texas Shatter Records*, DALL. MORNING NEWS (Aug. 18, 2015). I address these concerns more *infra*, Section V.

²⁵⁴ While litigants who are sued by non-practicing entities (NPEs) for patent infringement are equally as likely to petition for IPR compared to litigants who are sued by non-NPE plaintiffs, the former are more disadvantaged than the latter by the PTAB's reliance on this factor. Shawn P. Miller et al., *Introduction To The Stanford NPE Litigation Dataset*, STAN. L. SCHOOL (Oct. 23, 2017) (Draft). I discuss NPEs further *infra*, Section V.

²⁵⁵ See Dufresne, *supra* note 252 (analyzing 55 discretionary denials, which were based on parallel litigation, and issued between May and October 2020). However, the Director's recent guidance may have mooted this argument. See Memorandum, *supra* note 90, at 8–9 (instructing the PTAB to consider "evidence regarding the most recent statistics on median time-to-trial for civil actions in the district court in which the parallel litigation resides" and "additional supporting factors such as the number of cases before the

overlap of issues with the district court weighs against institution. But “the suspension of PTO [reexamination] proceedings do not prevent duplication”; instead, it improperly “precludes access to the forum where there is no presumption of [patent] validity.”²⁵⁶ Finally, the first factor favors institution when the district court has granted a stay—a decision that an IPR petitioner may have little control over. Indeed, the problem of creating a uniform IPR institution standard “may be so specialized and varying in nature as to be impossible of capture within the boundaries of a general rule.”²⁵⁷

However, it is important to consider that parties petitioning the Supreme Court for *certiorari*—attempting to strike down the *NHK-Fintiv* Rule—have been unsuccessful leading with the arbitrary and capricious argument. In fact, all cases discussed previously did argue that the Rule is arbitrary—in violation of the APA—but did not craft a question presented around this singular theme, nor one premised on specific procedural challenges.²⁵⁸ Perhaps it is time to retire this argument, or at the very least, bring it as an alternative challenge following Constitutional challenges.

2. Constitutional Challenges

Second, even if judicial review is foreclosed under the APA, it is not automatically precluded under the Constitution.²⁵⁹ Given the recent Constitutional challenges to the PTAB’s authority, it is conceivable that challenges to the PTO Director’s actions would be justiciable if brought under the APA as purported Constitutional violations. The argument goes like this: the application of the *NHK-Fintiv* Rule is unconstitutional because the Rule is implemented by a PTAB panel; this panel of ALJs rules on IPR petitions, and the decision whether to institute IPR is unreviewable by the Director; as such, the Rule’s application is invalid under *Arthrex*.

judge in the parallel litigation and the speed and availability of other case dispositions”). Interestingly, the PTO recently proposed a rule based on the controversial practice of placing significant weight on trial dates. *See* 88 Fed. Reg. at 24,515 (explaining that “the Board would apply a clear, predictable rule and deny institution of an IPR in view of pending parallel district court litigation involving at least one of the challenged claims if the Board determines a trial in the district court action is likely to occur before the projected statutory deadline for a final written decision”).

²⁵⁶ *In re Swanson*, 540 F.3d at 1378.

²⁵⁷ *Sec. & Exch. Comm’n*, 332 U.S. at 203.

²⁵⁸ *See supra* note 222 (collecting cases).

²⁵⁹ *See Lincoln*, 508 U.S. at 195 (“the APA contemplates, in the absence of a clear expression of contrary congressional intent, that judicial review will be available for colorable constitutional claims”).

In *Arthrex*, the process of IPR itself was challenged as unconstitutional under the Appointments Clause.²⁶⁰ The patent owner in *Arthrex* argued that ALJs lacked the authority to make final decisions regarding patent validity on behalf of the Executive Branch of the government.²⁶¹ The Supreme Court agreed, finding that ALJs in the PTAB were inferior officers—serving under a superior officer, the Director—who could not make final, incontestable decisions.²⁶² Therefore, *Arthrex* has potential implications for the *NHK-Fintiv* Rule; if applied, it could result in “removing sole discretion for denial of an IPR petition from the Board and placing review power back into the hands of an appointed official.”²⁶³ Those who advocate for applying the *Arthrex* holding to decisions on IPR institution submit that giving the Director ultimate control over IPR institution decisions would mitigate the subjectivity of the *NHK-Fintiv* Rule.²⁶⁴

Finally, it is possible to bring a Constitutional challenge to the Rule premised on a jurisdictional stripping argument. The Constitution promises all the right to appeal and petition for redress for violation of Constitutional rights.²⁶⁵ While Congress has the power to deny federal

²⁶⁰ The Appointments Clause specifies how the President may appoint officers to assist in carrying out his responsibilities. Only the President, with the advice and consent of the Senate, can appoint principal officers; with respect to inferior officers, the Clause permits Congress to vest appointment power “in the President alone, in the Courts of Law, or in the Heads of Departments.” *Arthrex*, 141 S.Ct. at 1972 (citing U.S. CONST. art. II, § 2).

²⁶¹ *Id.*

²⁶² The Court held that the remedy would be to give back the power of review of all Board decisions to the PTO Director, so that “the President remains responsible for the exercise of executive power — and through him, the exercise of executive power remains accountable to the people.” *Id.* at 1988.

²⁶³ Werblowsky, *supra* note 77.

²⁶⁴ *See id.* (explaining that the PTO Director can assess the overall ramifications of IPR denials in the broader political and technological landscape, achieving the goals of the AIA and IPR while also conforming to the Constitutional aims of democratic process). As with the first challenge (arbitrary and capricious), this argument may be mooted. Previously, the *NHK-Fintiv* Rule was implemented by a PTAB panel to determine whether to institute IPR and was unreviewable by the PTO Director. However, that has changed—the Director now has the power to review Board decisions *sua sponte* or upon party request. Request for Comments on Director Review, Precedential Opinion Panel Review, and Internal Circulation and Review of Patent Trial and Appeal Board Decisions, 87 Fed. Reg. at 43,251.

²⁶⁵ No doubt, this is a loaded proposition. Whether Congress can completely strip courts of the ability to redress constitutional grievances is an open question and one of great debate. It is also beyond the scope of this

courts the ability to hear certain cases,²⁶⁶ it cannot completely take away the ability of the Supreme Court to be the final arbiter on Constitutional issues—in other words, jurisdiction stripping has limits.²⁶⁷ Therefore, if IPR institution truly is unreviewable—even when a petitioner brings colorable Constitutional claims—there would need to be an option to directly appeal from the PTAB to the High Court.²⁶⁸ However, the Federal Circuit did not foreclose *all* avenues of judicial review. Although the Court has said that it lacks jurisdiction under the statute conferring exclusive appellate jurisdiction for patent infringement cases,²⁶⁹ it has also stated several times that mandamus

Article. I proceed on the theory that the Constitution requires some type of court be available to adjudicate Constitutional claims, especially for claims arising under the Fifth Amendment. *See Battaglia v. General Motors*, 169 F.2d 254, 257 (2d. Cir 1948) (“We think, however, that the exercise of Congress of its control over jurisdiction is subject to compliance with at least the requirements of the Fifth Amendment. That is to say, while Congress has the undoubted power to give, withhold, and restrict the jurisdiction of courts other than the Supreme Court, it must not so exercise that power as to deprive any person of life, liberty, or property without due process of law or to take private property without just compensation.”). Because Congress has stripped state courts of jurisdiction over patent cases, a federal court would need to be available. However, it is possible that procedural challenges may fall outside the scope of “patent cases” and be permitted in state courts.

²⁶⁶ Congress has Constitutional authority to create inferior courts as it may ordain or establish. U.S. CONST. art III, § 1. This power to create lower federal courts implies a lesser power to place limits on federal jurisdiction in lower courts. *See Sheldon v. Sill*, 49 U.S. 441, 449 (1850) (“[h]aving a right to prescribe, Congress may withhold from any court of its creation jurisdiction of any of the enumerated controversies”). Under the Exceptions Clause, Congress also has the power to limit the appellate jurisdiction of the Supreme Court. *See* U.S. CONST. art. III, § 2, cl. 2; *see also Ex parte McCardle*, 74 U.S. 506, 514 (1868) (“the power to make exceptions to the appellate jurisdiction of this court is given by express words [in the Constitution]”).

²⁶⁷ *See Ex parte McCardle*, 74 U.S. at 514 (“The act of 1868 does not except from that jurisdiction any cases but appeals from Circuit Courts under the act of 1867. It does not affect the jurisdiction which was previously exercised.”); *see also Baker v. Carr*, 369 U.S. 189, 211 (1962) (referring to the Supreme Court as the “ultimate interpreter of the Constitution”). In *McCardle*, Congress abolished the Supreme Court’s appellate jurisdiction over habeas corpus petitions; however, these petitions could still be directly filed with the Court.

²⁶⁸ Typically, the Supreme Court hears appeals from the United States Court of Appeals under its appellate jurisdiction. U.S. CONST. art. III, § 2; 28 U.S.C. § 1257.

²⁶⁹ *See In re MaxPower*, 13 F.4th at 1351–52 (explaining that jurisdiction under 28 USC § 1295(a)(4)(A) was unavailable because a decision on IPR

relief may be appropriate, so long as the petition is not merely a “means of avoiding the statutory prohibition on appellate review of agency institution decisions.”²⁷⁰ A cognizable Due Process claim would certainly qualify under this standard. Moreover, the Supreme Court itself has never precluded all judicial review of IPR institution.

As discussed above, it is unlikely that Congress barred Constitutional claims premised on the lack of rulemaking procedures. But an open question concerns the availability of Constitutional claims challenging the *content* of rules governing IPR institution. Due to Constitutional avoidance, there is scant precedent to guide the analysis; however, the Supreme Court has opined that legislation barring all Constitutional claims would “raise serious questions concerning the constitutionality” of such a law.²⁷¹ The Court also allowed Constitutional challenges to discretionary action itself²⁷²—*a fortiori* challenges to rulemaking decisions are permissible because these acts are not discretionary actions. And the Federal Circuit implicitly agrees—in rejecting challenges to the content of the Director’s institution instructions, the panel expressly noted the absence of a Constitutional challenge to the Director’s discretionary action of implementing “mandatory threshold conditions for institution.”²⁷³ In conclusion, courts would likely hold that Congress did not completely strip Article III courts of all power to review, even if the cause of action concerned the IPR institution itself.

institution is not a final judgment; the court also considered the collateral order doctrine and mandamus petition, as 28 U.S.C. § 1295 is not the only way that the Federal Circuit can take appellate jurisdiction over IPR procedural appeals); *see also Cohen v. Beneficial Industrial Loan*, 337 U.S. 541, 546 (1949) (explaining the “collateral order doctrine” allows appeals of interlocutory orders when they “fall in that small class which finally determine claims of right separable from, and collateral to, rights asserted in the action”).

²⁷⁰ *E.g., In re MaxPower*, 13 F.4th at 1351.

²⁷¹ *Johnson v. Robison*, 415 U.S. 361, 366–67 (1974). In *Johnson*, the Court avoided deciding whether a statute precluding review of decisions “made by the Administrator in the interpretation or application of a particular provision of the statute to a particular set of facts” was unconstitutional because the petitioner’s “constitutional challenge [wa]s not to any such decision of the Administrator, but rather to a decision of Congress.” *Id.* at 367.

²⁷² *Webster*, 486 U.S. at 603–04

²⁷³ *Apple*, 63 F.4th at 7 n.1, 11 (“Because the present case does not involve a constitutional challenge, we hereafter generally refrain from noting that the unreviewability principle at issue has not been extended to constitutional challenges.”).

V. IMPLICATIONS OF THE *NHK-FINTIV* RULE

After the *NHK-Fintiv* Rule was put into play, the number of discretionary IPR denials increased. Ironically, the PTAB's designation of *NHK* and *Fintiv* as precedential decisions may have undermined Congress's desire for IPR to serve as an alternative to litigation. After *Fintiv* was designated precedential in May 2020, the PTAB's IPR institution rate dropped 7%.²⁷⁴ The Board logged a record increase in discretionary denials in 2020—resulting in a 60% increase in denial rates—fueled entirely by procedural denials under AIA section 314(a).²⁷⁵ These denials, based on the *NHK-Fintiv* Rule, were sometimes issued without considering the merits of a patent's validity.²⁷⁶

The effect of the Rule on discretionary denials continues to be significant—near the end of 2021, 73% of IPR denials were issued under section 314(a), and denials based on the Rule had increased 23% from the previous year.²⁷⁷ In early 2022, *Fintiv* and discretionary denials at the PTAB more broadly were not in decline.²⁷⁸ And these denials can be costly, resulting in large jury verdicts against entities who lost the ability to challenge the validity of patents asserted against them.²⁷⁹

²⁷⁴ William C. Neer & Thomas L. Irving, *The Current State of Precedential Opinions and Denials of Institution at the USPTO Patent Trial and Appeal Board: Part I*, 11 NAT'L L. REV. (2021) (citing *Statistics FY14-FY21 to Date*, U.S. PAT. & TRADEMARK OFF. (Mar. 31, 2021)) (explaining the PTO reported an institution rate of 63% for FY2021 and of 56% for FY2020).

²⁷⁵ *PTAB Discretionary Denials Up 60%+ in 2020: Fueled Entirely by 314(a) Denials*, *supra* note 11.

²⁷⁶ *Id.*

²⁷⁷ *PTAB Uses Discretion, Fintiv to Deny Petitions 38% in 2021 to Date*, UNIFIED PATENTS (Sept. 22, 2021).

²⁷⁸ However, the denials are evolving away from a singular focus on parallel district court trial dates to the third and fourth *Fintiv* factors—investment in the parallel proceedings and overlap of the issues, respectively. William A. Meunier et al., *Fintiv in Decline?*, 12 NAT'L L. REV. (2022).

²⁷⁹ For example, VLSI sued Intel for patent infringement in the Western District of Texas and prevailed—the jury awarded damages of \$2.175 billion against Intel for its infringement. Prior to trial, Intel filed two IPR petitions—both were denied. See Peter C. Schechter, *PTAB's Fintiv Factors Mischief Unsurprisingly Causes Additional Mischief*, OBWB MONTHLY INSIGHTS (Jan. 30, 2022) (“PTAB did not evaluate the substantive strength of the merits of Intel’s validity challenges presented in either position.”); see also J. Jonas Anderson & Paul R. Gugliuzza, *Federal Judge Seeks Patent Cases*, 71 DUKE L.J. 419, 451–52 (2021) (discussing *VLSI Tech. v. Intel*, 843 F. App'x 321, 321 (W.D. Tex. Apr. 06, 2021)).

Several stakeholders have expressed concern that the increased rate of IPR institution denials exacerbates the already potent problems with Patent Assertion Entities (“PAE”) and forum shopping in patent litigation. First, there is a concern that parties sued by PAEs for patent infringement are disadvantaged by the *NHK-Fintiv* Rule. PAEs—also referred to by some as patent trolls—do not have a single definition; one group of scholars defines these groups as “entities that employ patents primarily to obtain license fees, rather than to support the transfer or commercialization of technology.”²⁸⁰ Not only are PAEs a hot topic in patent litigation, but they have also made their way into modern day pop culture. For example, in 2015, popular comedian and commentator John Oliver did a segment on his TV show explaining that patent trolls “have even managed to find the friendliest place to file their lawsuits.”²⁸¹ It is this point that implicates the *NHK-Fintiv* Rule. As Oliver—along with several academics—explains, the overwhelming majority of suits brought by PAEs settle before trial.²⁸² Why? PAEs file their suits in so-called “plaintiff friendly” districts, with most suits taking place in the Western District of Texas.²⁸³ Because accused infringers are aware of this phenomenon, they settle. This trend of forum shopping by PAEs continues to rise. In 2021,

Interestingly, after this massive verdict, the PTAB instituted IPR on one of the patents in suit, albeit for different parties challenging the patent’s validity; the PTO Director subsequently initiated Director review of the institution decisions. See generally *Opensky Industries v. VLSI Tech.*, IPR2021-01064 (P.T.A.B. Oct. 04, 2022), 2022 WL 4963049. In an absolutely fascinating turn of events, the IPR continued and invalidated the patent. *Opensky Industries v. VLSI Tech.*, IPR2021-01064 (P.T.A.B. May 12, 2023). Even more fascinating is that this successful petition was a “cut-and-paste of an earlier petition filed by Intel.” Josh Landau, *USPTO Invalidates VLSI Patent—So Why Didn’t They Review It The First Time?*, PAT. PROGRESS (May 12, 2023).

²⁸⁰ The term “patent troll” has become part of the American legal lexicon, though few can agree on a precise definition. Miller, *supra* note 254.

²⁸¹ @LastWeekTonight, *Patents: Last Week Tonight with John Oliver (HBO)*, YOUTUBE (Apr. 19, 2015), https://www.youtube.com/watch?v=3bxcc3SM_KA (describing patent trolls as existing just to “sue the living shit out of people”).

²⁸² See Miller, *supra* note 254 (“Among lawsuits filed in 2014 that did not end in consolidation or transfer, 87% of PAE and 62% of non-PAE suits have already settled. This difference is statistically significant.”).

²⁸³ See Brian J. Love & James Yoon, *Predictably Expensive: A Critical Look At Patent Litigation In The Eastern District*, 20 STAN. TECH. L. REV. 1, 12 (2017) (“Since 2014, more than 90% of patent suits filed in East Texas were filed by PAEs enforcing high tech patents.”).

patent litigation surged, and non-practicing entities (“NPE”)²⁸⁴ added more defendants than in any quarter since 2015.²⁸⁵

The Supreme Court has also expressed concern about the negative impact of PAEs on the public. One concern occurs in the context of “patent holdup,” where a patentee uses the threat of an injunction to garner higher licensing fees; this is especially a concern with PAEs that do not practice the patent.²⁸⁶ The precedent established in *eBay*—that courts must apply the well-established four-factor test for permanent injunctions under the Patent Act²⁸⁷—had the effect of protecting the public against the negative effects of PAEs. Because the first two factors of the injunction standard are not favorable to a PAE, *eBay* resulted in PAEs receiving significantly fewer injunction awards.²⁸⁸

Second, the concern around PAEs connects to the widespread concern over generalized forum shopping in patent litigation. A special venue provision applies to suits brought for patent infringement.²⁸⁹ Under this framework, patent infringement actions are only proper in two types of districts: (1) the district where the defendant resides; and (2) districts where the defendant has a “regular and established place

²⁸⁴ NPEs include PAEs but also include research entities such as universities. David L. Schwartz & Jay P. Kesan, *Analyzing the Role of Non-Practicing Entities in the Patent System*, 99 CORNELL L. REV. 425, 429 (2014).

²⁸⁵ Rational Patent Blog, *supra* note 6, at 2.

²⁸⁶ In *eBay v. MercExchange*, Justice Kennedy’s concurring opinion discussed the concern that injunctions encourage this holdup behavior and stated that “an injunction, and the potentially serious sanctions arising from its violation, can be employed as a bargaining tool to charge exorbitant fees to companies that seek to buy licenses to practice the patent.” 547 U.S. 388, 396 (2006) (Kennedy, J., concurring).

²⁸⁷ As recounted in *eBay*, a plaintiff seeking a permanent injunction must satisfy a four-factor test: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction. *Id.* at 392.

²⁸⁸ See Colleen V. Chien & Mark A. Lemley, *Patent Holdup, the ITC, and the Public Interest*, 98 CORNELL L. REV. 101, 102 (2012) (last revised Apr. 24, 2020) (showing that PAE injunction awards dropped significantly since the *Ebay* decision—the PAE denial rate was over 90% when the injunction was contested). Thus, “[b]y requiring federal courts to consider the equities of a particular case before granting an injunction, *eBay* solved much of the patent system’s holdup problem.” *Id.*

²⁸⁹ See 28 U.S.C. § 1400(b).

of business” and has committed acts of infringement.²⁹⁰ The Supreme Court held that this statute is the sole statute controlling venue in patent infringement cases—the statute cannot be supplemented by provisions in general venue statutes.²⁹¹

Although the Court’s decision in *TC Heartland* reduced concerns with forum shopping, there is still a concern with so-called “plaintiff friendly venues.” These districts include the Eastern and Western Districts of Texas—known as “rocket dockets” for their quick turnaround time—that boast patentee friendly procedural rulings which strengthen a plaintiff’s position in settlement negotiations.²⁹² It is no secret that patentees have flocked to these venues in recent years. For example, in 2020, over 20% of patent cases filed nationwide were presided over by a single judge in the Western District of Texas.²⁹³ Thus, it is not only forum shopping that is occurring, but judge shopping as well.²⁹⁴ This is due to local case assignment rules that allow patent cases to be assigned to a single judge in the district.²⁹⁵

²⁹⁰ *Id.*

²⁹¹ *Stonite Prod. v. Melvin Lloyd*, 315 U.S. 561, 563 (1942). In 2016, the Supreme Court reaffirmed its prior holding, stating that Congress never changed the meaning of the patent venue statute, and it remains the sole statute controlling venue in patent infringement suits today. *TC Heartland v. Kraft Foods Grp. Brands*, 581 U.S. 258, 265–68 (2017). Previously—when Congress amended the special venue statute—the Federal Circuit held that the patent venue statute now could be supplemented; notably this meant that plaintiffs could bring suit in any district that a corporate defendant was subject to personal jurisdiction in. *VE Holding v. Johnson Gas Appliance*, 917 F.2d 1574, 1581 (Fed. Cir. 1990), *abrogated by TC Heartland*, 581 U.S. 258. The result was that plaintiffs had significantly more venue options than if only the patent-specific statute applied.

²⁹² Paul R. Gugliuzza & Jonas Anderson, *How It Started . . . How It’s Going: Venue Transfers in the Western District of Texas*, PATENTLY-O (Oct. 28, 2021).

²⁹³ *Id.*

²⁹⁴ Judge shopping has long been an issue in patent litigation. *See generally* Anderson & Gugliuzza, *supra* note 279, at 428.

²⁹⁵ *Id.* at 440. But in an interesting turn of events, Texas seemingly resolved this problem in ordering equitable distribution of patent cases by randomly assigning cases to twelve different judges. Order Assigning The Business Of The Court As It Relates to Patent Cases (W.D. Tex. July 25, 2022) (Garcia, C.J.). This generated a plethora of commentary, solidifying the significance of judge shopping in patent litigation. *See, e.g.*, Samantha Handler, *Patent Plaintiffs Scrambling After Texas Court Cools Hotspot*, BLOOMBERG L. (July 27, 2022) (“As the only judge in Waco, Albright was guaranteed to hear the patent case if filed there, until the court issued its July 25 order.”). However, even after this change, “West Texas filings appear to

Moreover, defendants seeking transfers out of this venue are largely unsuccessful—in 2020, only 23% of venue transfer motions were granted in the Western District of Texas.²⁹⁶ While this number increased to about 30% in 2021, it is still much lower than in other districts with patent heavy dockets, whose transfer rates hover around 50%.²⁹⁷ And the Federal Circuit is not pleased with the low rate of successful venue transfer motions—the Court entered more than fifteen writs of mandamus directing the Western District of Texas to transfer venues between 2019 and 2021.²⁹⁸

Furthermore, these venues that are more favorable for plaintiff-patentees—which lock defendants in by denying venue transfer motions—are also more likely to deny motions to stay litigation pending IPR.²⁹⁹ Put simply, it is clear how *Fintiv* exacerbates problems with forum shopping in patent litigation—because *Fintiv* places an emphasis on staying parallel litigation, filing in a rocket docket venue increases the chances that a defendant’s IPR petition will be denied by the PTAB. Adding to the problem, the Federal Circuit has held that in similar situations, a district court’s order denying a stay pending the outcome of a PTAB *petition* is not immediately appealable under the final judgment rule.³⁰⁰ However, once an IPR is *instituted*, a district court’s judgment on staying litigation becomes appealable under the

have maintained a relatively steady pace.” Rational Patent Blog, *Judge Albright Still Gets Most West Texas Patent Cases After Judge Reassignment Order*, RPX CORP. (Mar. 08, 2023).

²⁹⁶ Gugliuzza & Anderson, *supra* note 292.

²⁹⁷ *Id.*

²⁹⁸ Charles Phipps, *The Federal Circuit Issues Multiple Orders Directing Transfer of Venue out of the Western District of Texas*, JD SUPRA (Nov. 22, 2021).

²⁹⁹ Moss, *supra* note 41, at 3. In the Eastern District of Texas, “when the PTAB has not yet acted on a petition for *inter partes* review, the courts have uniformly denied motions for a stay.” *Trover Grp. v. Dedicated Micros USA*, No. 2:13-CV-1047-WCB (E.D. Tex. Mar. 11, 2015), 2015 WL 1069179, at *6; *see also* Douglas B. Wentzel, *Stays Pending Inter Partes Review: Not in the Eastern District of Texas*, 98 J. PAT. & TRADEMARK OFF. SOC’Y 120, 120 (2016) (“Through August 2015, the Eastern District of Texas had the lowest grant rate of stays pending IPR outcome in the nation.”); Anderson & Gugliuzza, *supra* note 279, at 442 (“From 2013 through 2016, the Eastern District granted only about 40 percent of stay motions; the Northern District of California, by contrast, granted nearly 70 percent.”).

³⁰⁰ *See Intell. Ventures II v. JPMorgan Chase*, 781 F.3d 1372, 1379 (Fed. Cir. 2015) (“we do not have jurisdiction under § 18(b)(2) of the AIA to consider an interlocutory appeal from a decision on a motion to stay until the PTAB institutes a CBMR proceeding”).

exception for interlocutory appeals.³⁰¹

Several ideas were proposed to help mitigate the effects of the *NHK-Fintiv* Rule on parties wishing to challenge the validity of a patent that is subject to parallel proceedings. One idea centers around the first *Fintiv* factor and the fact that stayed litigation weighs heavily against denying IPR institution.³⁰² But, the likelihood of securing a stay varies widely with districts.³⁰³ Therefore, a proposal to automatically stay district court litigation, pending IPR institution outcome, could help mitigate the inconsistency among districts and would likely be well-received by many litigants.³⁰⁴ In other patent proceedings, this is the norm; for example, a stay is required when an ITC parallel proceeding is conducted.³⁰⁵ Furthermore, Congress has indicated—in the context of similar situations—that “it is congressional intent that a stay should only be denied in extremely rare circumstances.”³⁰⁶

³⁰¹ See *id.*; see also 28 U.S.C. § 1292(b) (interlocutory appeals may proceed when: (1) the order “involves a controlling question of law”; (2) that question has “substantial ground for difference of opinion”; and (3) allowing “an immediate appeal . . . may materially advance the ultimate termination of the litigation.”).

³⁰² Based on the precedential decision in *Snap v. Srk Tech.*, petitioners seeking IPR institution will likely seek stays in district court of parallel proceedings, pending the outcome of a decision on IPR. *Snap*, 2020 WL 6164607, at *4.

³⁰³ See Derek H. Swanson, *Staying Cases Pending PTAB’s Decision to Institute IPR or CBM Review: A Survey of 10 Jurisdictions with the Most Patent Litigation*, MCGUIRE WOODS 1, 2 (2015) (“Despite using the same factors to evaluate whether to grant a stay, district courts vary widely when it comes to granting a stay in litigation before the PTAB has actually decided whether to institute IPR. Some courts make it clear that granting a stay at that procedural posture is improper and therefore never do it. Other courts tend to default to granting a stay unless there are overwhelming reasons not to do so. Still others make an individualized determination for each case, and are no more likely to rule one way or the other. The U.S. Court of Appeals for the Federal Circuit has not provided significant guidance, leaving it up to the district courts to grant or deny stays before the PTAB has instituted review.”).

³⁰⁴ Eric W. Schweibenz et al., *Automatic Stay of Litigation Pending Inter Partes Review?: A Simple Proposal for Solving the Patent Troll Riddle*, 7 A.B.A. LANDSLIDE 1, 5–6 (2014).

³⁰⁵ 28 U.S.C. § 1659.

³⁰⁶ The statute for Closed Business Methods (CBMs) contains an automatic stay provision; Congress intended this language to place “a very heavy thumb on the scale in favor of the stay [being granted].” Schweibenz, *supra* note 304; see generally 157 CONG. REC. S1053 (daily ed. Mar. 01, 2011); 157 CONG. REC. S1363 (daily ed. Mar. 08, 2011).

Some entities employed a second idea. Following the PTAB's widespread adoption of the *NHK-Fintiv* Rule, companies have changed their litigation strategy. For example, "some defendants seeking to challenge validity have increasingly been turning to *ex parte* reexaminations."³⁰⁷ *Ex parte* reexamination—which remains available to petitioners post-AIA—may offer petitioners a strategic advantage because it is not subject to discretionary denial.³⁰⁸

The foregoing concerns are also shared by some members of Congress.³⁰⁹ Indeed, patent focused members of Congress have pointed out this exact problem of forum shopping—and associated denials of requests to transfer venue—in patent litigation.³¹⁰ Moreover, even Senators who support the *NHK-Fintiv* Rule take issue with its application, opposing the "PTAB's historical practice of crediting unrealistic trial schedules" and the effect this has on *Fintiv*'s second factor which assesses the proximity of the court's trial date.³¹¹ In response to these concerns, proposed legislation seeks to curb the Rule "under the premise of making PTAB trials 'fair and accessible.'"³¹²

VI. CONCLUSION

Given the uproar surrounding the *NHK-Fintiv* Rule, the Supreme Court should grant *certiorari* to consider the question of whether implementation of the Rule presents a cognizable claim from the myriad of possible challenges—albeit a challenger must craft a narrowly tailored inquiry that would provide meaningful guidance to agencies charged with implementing discretionary action. The Court's history with cases involving IPR compels the conclusion that challenges premised on procedural violations are more likely to be received by the Court. Therefore, parties may have more success in

³⁰⁷ Rational Patent Blog, *supra* note 6, at 10.

³⁰⁸ *Id.*; see 35 U.S.C. § 302.

³⁰⁹ See *Looming Leahy Bill Would End Fintiv Practice at PTAB*, *supra*, note 20 (reporting Senator Leahy has proposed legislation to overrule *Fintiv*).

³¹⁰ See Josh Landau, *Sens. Leahy and Tillis to Chief Justice Roberts: Something's Up In Waco*, PAT. PROGRESS (Nov. 03, 2021) ("The first letter, sent by both Chairman Leahy and Ranking Member Tillis to Chief Justice Roberts, in his role as head of the Judicial Conference, expresses serious concerns about the Waco court—and especially about Judge Albright's behavior.").

³¹¹ See *id.* ("The second letter, sent by Sen. Tillis to Acting Director Hirshfeld at the USPTO, notes that the second *Fintiv* factor for discretionary denial relies on trial dates that have proven to be extremely inaccurate.").

³¹² Steve Brachmann, *SCOTUS Denials of Apple and Mylan Petitions Unlikely to End Challenges to PTAB NHK/Fintiv Framework*, IP WATCHDOG (Jan. 20, 2022).

obtaining relief if a Due Process or APA rulemaking challenge sticks.

Considering its past rulings on injunctions and venue—as applied in the sphere of patent jurisprudence—the Court is a staunch advocate of action in the public interest. History shows that all courts take seriously the doctrine of judicial review and their role as defenders of the Constitution. Mixing all these ingredients together could provide a recipe for landing an invitation to the High Court. Furthermore, the Court’s guidance is especially warranted if agency discretion is evading judicial review at the Federal Circuit. At the very least, the question presents a unique opportunity to opine on procedural requirements for administrative agencies in the context of intellectual property rights—a topic of great public importance. And being that the *NHK-Fintiv* Rule was one of the most debated issues in patent law over the last two years, parties would surely appreciate a definitive answer on the Rule’s justiciability.

