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## Administrative Law Observations on *Cuozzo Speed Technologies v. Lee*

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By David Boundy

David Boundy of Cambridge Technology Law LLC, in Cambridge, Massachusetts, practices at the intersection of patent and administrative law, and consults with other firms on PTAB trials and appeals. In 2007–09, David led the teams that successfully urged the Office of Management and Budget to quash the USPTO’s continuations, claims, information disclosure statements, and appeal regulations under the Paperwork Reduction Act.

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administrative law issues (involving various federal employees and contracts) as patent law issues. We patent lawyers need better issue spotting skills for administrative law issues, and when a case presents them, to best serve our clients, we must argue on administrative law grounds with administrative law expertise. Basic principles of good advocacy urge us to argue our cases on the courts’ choice of turf.

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*Cuozzo* is a prime illustration. Many federal agencies have statutes that provide for judicial review of some agency decisions, and preclude review of others. These “preclusion of review” statutes have been considered in a long line of Supreme Court cases. For 200 years, the Supreme Court has applied a strong presumption of judicial review: agency decisions are presumed to be reviewable, and preclusion statutes are construed narrowly. Even within the scope of preclusion, an agency decision that reflects “brazen disregard” of procedure, or “abuse,” or that has sufficiently grave consequences often can be reviewed.

The 2011 America Invents Act (AIA) created new patent reviews within the United States Patent and Trademark Office (USPTO): inter partes review (IPR), post-grant review (PGR), and covered business method review (CBM). Congress included preclusion statutes that limit judicial review of USPTO decisions to institute such reviews.

In *Cuozzo*, the Supreme Court extended its line of preclusion cases to confirm that even though *Cuozzo*’s specific institution was unreviewable, some decisions to institute *are* judicially reviewable—but the guidance from the Supreme Court is murky. Both *Cuozzo*’s loss and the Court’s murkiness

stem from *Cuozzo*'s brief: the brief fails to mention a dead-on statute, and is all but silent on the Supreme Court's administrative law case law. The murkiness creates many future opportunities for informed administrative law advocacy, as the law redevelops in light of *Cuozzo*'s ambiguities.

### **The AIA, Its Preclusion Statutes, and *Cuozzo*'s Path to the Supreme Court**

The preclusion statutes for IPR and PGR decisions to institute, 35 U.S.C. § 314(d) and § 324(e) respectively, are essentially similar: "The determination by the Director whether to institute [a review] under this section shall be final and nonappealable." As we'll see, this is decidedly on the weak end of the spectrum of preclusion statutes.

In February 2015, the Federal Circuit gave its first deep consideration to these statutes in *In re Cuozzo Speed Technologies LLC*.<sup>2</sup> The IPR petition against *Cuozzo*'s patent had applied reference A to claim 10, and references A, B, and C to claim 17 (which depended from claim 10). However, the Patent Trial and Appeal Board (PTAB) instituted on references A, B, and C against claim 10. The PTAB cited no statute or regulation, only its own naked claim of "discretion" to mix and match among the grounds in the petition.<sup>3</sup>

The IPR ended in cancellation of claim 10, on references A, B, and C.

*Cuozzo* appealed the final decision to the Federal Circuit, and as one ground, challenged the decision to institute as an underlying issue. The Federal Circuit held that § 314(d) precluded *all* review of *all* issues embedded in a decision to institute: "On its face, the provision is not directed to precluding review only before a final decision. It is written to exclude all review of the decision whether to institute review."<sup>4</sup>

Several progeny cases followed in 2015, in which the Federal Circuit read these preclusion statutes so broadly as to give the USPTO near carte blanche to institute or not institute.

In June 2016, the Supreme Court nominally gave a "reset" to this entire line of cases. However, where all decisions leave open issues, *Cuozzo* introduces several internal contradictions. This will continue to be a difficult area of the law that will reward lawyers who carefully explain the relevant administrative law principles to courts.

### **Judicial Review of Agency Decisions**

#### ***Government-Wide Grounds of Judicial Review***

The Administrative Procedure Act (APA), in 5 U.S.C. § 706(2), confines judicial review of agency action to a specific list of errors—a court may set aside agency actions that are:

- (A) arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law;
- (B) contrary to constitutional right, power, privilege, or immunity;
- (C) in excess of statutory jurisdiction, authority, or limitations, or short of statutory right;

(D) without observance of procedure required by law; [or]

(E) unsupported by substantial evidence in a case subject to [the formal trial procedures] of this title . . . .

Section 706(2) is famously deferential to agencies, but it doesn't insulate agencies totally. Courts set aside agency decisions that fail standards of "reasoned decisionmaking" by failing to explain an important point, giving an irrelevant explanation, omitting consideration of important factors or basing a decision on impermissible factors, deciding without evidence, deciding on legal error, acting beyond jurisdictional authority, and the like.

### **Nondeferential Review of Agency Departures from Own Regulations**

In this sea of judicial deference to agencies, one small island of near per se grounds for vacating an agency decision is § 706(2)(D), "without observance of procedure required by law." As the D.C. Circuit explained:

[I]t is elementary that an agency must adhere to its own rules and regulations. *Ad hoc* departures from those rules, even to achieve laudable aims, cannot be sanctioned, for therein lie the seeds of destruction of the orderliness and predictability which are the hallmarks of lawful administrative action. Simply stated, rules are rules, and fidelity to the rules which have been properly promulgated, consistent with applicable statutory requirements, is required of those to whom Congress has entrusted the regulatory missions of modern life.<sup>5</sup>

This is one of the few areas of law where courts have given agencies essentially no latitude—when an agency statute, regulation, or guidance promises the public that an agency or agency employee "must" or "will," the agency must follow those procedures "scrupulously," and courts enforce those promises nearly per se. While an agency may interpret existing regulations, where an agency has a regulatory vacuum, it has no discretion to make up ad hoc rules adverse to a party. Agency tribunals are not Article III courts—agency tribunals must go through the rulemaking process set by statute.

### **Preliminary Decisions Are Reviewable with Final Agency Action**

Procedural lapses usually find review under 5 U.S.C. § 704: "A preliminary, procedural, or intermediate agency action or ruling not directly reviewable is subject to review on the review of the final agency action." Thus, if an agency's final decision is infected by error earlier in the process, the final decision can be attacked on the basis of that underlying error.

### **Supreme Court's Presumption of Judicial Review and Resolving the Tension with Preclusion Statutes**

Since the days of Chief Justice John Marshall, the Supreme Court has relied on a strong presumption that judicial review is available for executive branch action.<sup>6</sup> Likewise, the Court has always held agencies to scrupulous observance of their own procedures. The presumption of review has always been extraordinarily high for procedure, and the "holes" in preclusion statutes for procedure and "abuse" have always been quite large. *Cuozzo* is an *extraordinary* outlier.

**1950s Communist Infiltration Cases—Agency Violations of Own Rules Are Reviewable**

A pair of cases from the 1950s “red scare” days illustrate how strong the presumption of judicial review is: even where the government alleges a grave threat to national security, a court will review an agency action, and will intervene to protect individual and procedural rights. *Service v. Dulles*<sup>7</sup> and *Vitarelli v. Seaton*<sup>8</sup> had almost identical facts: Congress had given the Secretary of State and Secretary of the Interior “absolute discretion” to terminate employees of specified classes for any reason whatsoever, without explanation. Service and Vitarelli were in the respective classes, and each was dismissed for alleged sympathetic association with the Communist Party. However, in *Service*, the State Department had an unpublished “Manual of Regulations and Procedures” that set standards and procedures for effecting discharges (analogous to the portions of the *Manual of Patent Examining Procedure* (MPEP) that instruct examiners in procedures that must be followed and findings that must be set forth in any rejection of claims—even more so, since the MPEP is made available to the public for the public to rely on). Likewise, in *Vitarelli*, the Interior Department had a departmental Order governing certain discharges (analogous to the portions of the PTAB’s *Patent Trial Practice Guide* that use mandatory language to describe actions of the PTAB). Service and Vitarelli were each fired without the procedures set forth in the Manual and Order.

On judicial review, each agency argued that the agency had “absolute discretion,” and therefore judicial review was not available. The Supreme Court noted that neither agency was obligated to promulgate its rules; nonetheless, “even though generous beyond the requirements that bind such agency, that procedure must be scrupulously observed.”<sup>9</sup> The Supreme Court ruled that because the two agencies had not followed their Manual and Order, the two discharges were illegal, and were set aside. The Court left the agencies discretion to rehire the two employees, but only if they scrupulously followed their own rules.

The lesson is that courts accept judicial review of underlying issues in agency decisions, even if the final decisions are unreviewable, especially where procedural fairness is at stake.

**Abbott v. Gardner (1967)—Preclusion of Review Not Lightly Inferred**

In *Abbott Laboratories v. Gardner*,<sup>10</sup> several drug manufacturers sought judicial review of regulations issued by the FDA. The government attempted to have the case dismissed, arguing—much as it did in *Cuozzo*—that because the Food, Drug, and Cosmetic Act specifically granted review for certain categories of regulations, Congress by implication intended no review of all other regulations.

*Abbott* rejected this argument. The Court went further, and declared that the APA “embodies the basic presumption of judicial review to one [suitably aggrieved by agency action] so long as no statute precludes such relief or the action is not one committed by law to agency discretion.”<sup>11</sup> In a footnote, *Abbott* quoted from the APA’s legislative history: “To preclude judicial review . . . a statute, if not specific in withholding such review, must upon its face give clear and convincing evidence of an intent to withhold it.”<sup>12</sup>

**Lindahl v. OPM (1985)—Review of Violations of Procedural Rights Not Precluded**

In *Lindahl v. Office of Personnel Management*,<sup>13</sup> an agency denied retiree disability payments. The Federal Circuit held that it could not review the denial because of a preclusion statute (one that is far more directive than § 314(d)/§ 324(e)): “decisions . . . concerning these matters are final and conclusive and are not subject to review.”<sup>14</sup>

Nonetheless, the Supreme Court held that the issues were reviewable—the Court held that this statute only precluded review of “factual underpinnings.” *Lindahl* gave a broader principle: “review is available to determine whether there has been a substantial departure from important procedural rights, a misconstruction of the governing legislation, or some like error going to the heart of the administrative determination.”<sup>15</sup>

Interestingly, *Lindahl* quotes two other agencies’ preclusion statutes as models for far-reaching preclusion of review:

The action of the Secretary . . . in allowing or denying a payment under this subchapter is—

- (1) final and conclusive for all purposes and with respect to all questions of law and fact; and
- (2) not subject to review by another official of the United States or by a court by mandamus or otherwise.<sup>16</sup>

and—

[T]he decisions of the Administrator on any question of law or fact under any law administered by the Veterans’ Administration providing benefits for veterans and their dependents or survivors shall be final and conclusive and no other official or any court of the United States shall have power or jurisdiction to review any such decision by an action in the nature of mandamus or otherwise.<sup>17</sup>

The contrast between § 314(d)/§ 324(e) and the statutes that specifically close every door to every underlying issue suggests that Congress intended the preclusion of IPR/PGR to be limited only to the ultimate decision.

*Lindahl* tells us that even where an end result is unreviewable, underlying issues are *not* precluded unless the preclusion statute speaks expressly to those underlying issues.

**Bowen v. MAFP (1986)—Preclusion Statutes Read Very Narrowly**

*Bowen v. Michigan Academy of Family Physicians*<sup>18</sup> gives an extended discussion of the history and importance of judicial review. The Court quoted Second Circuit Judge Henry Friendly: “[O]nly in the rare—some say non-existent—case . . . may review for ‘abuse’ be precluded.”<sup>19</sup>



At issue in *Bowen* was the following preclusion statute—note how much stronger this statute is than § 314(d)/§ 324(e): “No findings of fact or decision of the Secretary shall be reviewed by any person, tribunal, or governmental agency except as herein provided. No action . . . shall be brought . . . to recover on any claim arising under this subchapter.”<sup>20</sup>

In *Bowen*, doctors challenged certain Medicare regulations that cut off reimbursement for certain physicians. Applying the presumption of judicial review, the Court finely segregated the issues: while facts relating to individual claimants and final benefit amounts for individual claimants would not be reviewable, “challenges to the validity of the Secretary’s instructions and regulations[] are cognizable in courts of law.”<sup>21</sup>

In considering a second preclusion statute, *Bowen* split the issues the same way, to find the issues reviewable: “The reticulated statutory scheme, which carefully details the forum and limits of review of ‘any determination . . . of . . . the amount of benefits[.]’ simply does not speak to challenges mounted against the *method* by which such amounts are to be determined rather than the *determinations* themselves.”<sup>22</sup>

*Bowen* teaches that courts read statutes closely to split issues finely, and will review issues (especially underlying issues) that differ by a hair’s breadth (or less) from precluded issues.

In sum, review under § 704/§ 706 is a persistent substrate. Additional grounds of review can be created, but to preclude review (especially of underlying issues), Congress must speak expressly.

### **Supreme Court’s Decision in *Cuozzo***

#### ***Cuozzo*’s Brief, the Majority Opinion, and the End Result: Institution Is Nonreviewable**

The *Cuozzo* majority opinion follows the basic contour of 50 years of precedent: preclusion statutes are to be read narrowly. However, on the facts, *Cuozzo* lost—the Court characterized *Cuozzo*’s complaint to be a “mine-run claim,” “an ordinary dispute about the application of certain relevant patent statutes,” and “little more than a challenge to the Patent Office’s conclusion, under § 314(a), that the ‘information presented in the petition’ warranted review.”<sup>23</sup> That is, the Supreme Court understood the case to be a good faith difference of opinion in application of validly promulgated law, not a case of an agency tribunal exercising “discretion” against a party, making up new rules on the fly with no grounding in any text. Because the Court was not informed of the procedural basis for the case, the *Cuozzo* opinion stands in striking contrast with the Court’s precedent that requires agencies’ “scrupulous” observance of procedure, and strict “no deference” judicial review for procedural issues.

The Supreme Court majority opinion embeds a number of internal contradictions that leave a great deal of unclear ground. The majority’s holding, if applied to the facts—at least the procedural facts as we patent lawyers understand them—leads to the opposite result.

Most of these contradictions in the majority opinion, and perhaps the final result itself, are invited error. Cuozzo's brief treats the case as a *patent law* case, arguing page after page of title 35 U.S.C. and Federal Circuit *patent law* cases.<sup>24</sup> Cuozzo's opening brief cites Supreme Court "preclusion of review" cases only as a cursory afterthought—a single string cite, with no discussion of analogies to precedential cases.<sup>25</sup> The brief compounds the error by citing a 1940s case on a subsidiary issue that had been overruled by the Supreme Court in 2013.<sup>26</sup> The table of authorities in Cuozzo's opening brief has only a single cite to title 5 U.S.C., and only one more in the reply brief.<sup>27</sup>

Even though Cuozzo's briefs are all but irrelevant to the administrative law bases on which the Court decided the case, the reasoning comes *so close* to going Cuozzo's way. *Cuozzo* demonstrates the importance of identifying the turf where a court is likely to decide an issue, and arguing it there.

### **In What Postures Is a Decision to Institute Reviewable?**

The *Cuozzo* majority begins with a head fake, by appearing to agree with the Federal Circuit's rule of *per se* and complete preclusion of decisions to institute: "For one thing, that is what § 314(d) says."<sup>28</sup>

And then in the next paragraph, the majority disagrees with the Federal Circuit: judicial review of the decision to institute *is* available with review of the final decision, the posture in which Cuozzo presented it.

Justice Alito's dissent cites § 704 and notes that § 314(d) says *only* what it says, and no more—direct appeal is precluded. But Justice Alito would have reviewed institution "with review of the final decision." As the dissent points out, this was not an *appeal* of a decision to institute. It was a review of the final agency action, with institution raised as a "preliminary, procedural, or intermediate agency action or ruling not directly reviewable" that would easily be reviewable under § 704.<sup>29</sup> The majority opinion expressly characterizes a decision to institute as "preliminary," but does not explain why § 704 doesn't apply—the most likely reason is that Cuozzo's brief simply *didn't ask* for § 704 to apply.

### **What Grounds?**

The next incongruity in the majority opinion shows up in the scope of *grounds* on which the majority would permit review. In a long paragraph toward the end of section II, beginning "Nonetheless," the majority explains that most issues arising under *patent law* are precluded, but that issues arising under *other* bodies of law are *not*. Review remains available for constitutional questions, and most importantly, for issues slotted into one of the pigeonholes of the APA:

[W]e do not categorically preclude review of a final decision where a petition fails to give "sufficient notice" such that there is a due process problem with the entire proceeding, nor does our interpretation enable the agency to act outside its statutory limits by, for example, canceling a patent claim for "indefiniteness under § 112" in *inter partes* review. Such "shenanigans" may be properly reviewable in the context of § 319 and under the Administrative Procedure Act, which enables reviewing courts to "set aside agency action" that is "contrary to constitutional right," "in excess of statutory jurisdiction," or "arbitrary [and] capricious."<sup>30</sup>



The latter half of the long paragraph, especially the last sentence, opens a wide barn door. Where the dissent would remand for consideration under § 706, specifically whether the USPTO exceeded its authority (§ 706(2)(C)), the majority takes Cuozzo's brief on its own footing (without resolving issues that weren't presented), a challenge only on *patent law* grounds. Because Cuozzo's brief did not help the Court apply the APA to this case, the majority only explains that § 706 grounds are available, but leaves application for a future case.

Unfortunately, Cuozzo's briefs never mentioned either § 704 or § 706, and are remarkably light on citation to Supreme Court precedent. Cuozzo could have argued: (1) § 704 and the Supreme Court's case law speak directly to the question; (2) without a clear statement from Congress to displace § 704 and overcome the presumption of review of underlying issues, review is available at the time of challenge to final action, to the full scope of § 704 (for posture) and § 706 (for its catalog of reversible errors); and (3) the PTAB's exercise of atextual "discretion" was "in excess of statutory jurisdiction," "not in accordance with law," and "without observance of procedure," under § 706(2)(A), (C), and (D). The Court, especially Justice Breyer, would likely have been very sympathetic to an argument that the USPTO is subject to the APA just the same as any other agency, and that underlying issues in a decision to institute are reviewable on the same footing as any other underlying issue in any other agency decision. But without that argument, Cuozzo narrowly lost what appears to be a winnable issue, so we'll never know how this case *should* have come out.

And the Federal Circuit and patent bar are left with the internal contradiction, with all the problems and opportunities it creates.

### **Are Agencies Held to Their Own Regulations?**

The key split between the majority and dissent is on interpretation of *Lindahl*,<sup>31</sup> that an agency's "substantial[] depart[ure] from important procedural rights" pierces almost any preclusion statute, and the clarity with which Congress must speak to preclude review of agency procedure.<sup>32</sup> The majority points out that review remains intact for *some* issues arising under patent law, such as appeals "that depend on other less closely related statutes, or that present other questions of interpretation that reach, in terms of scope and impact, well beyond [§ 314]." <sup>33</sup> But the majority characterizes the PTAB's mix and match as something less than "shenanigans." Because Cuozzo's briefs did not remind the Court of its "no discretion" precedent on procedural predictability and fairness, the Court did not consider the question.

It's hard to reconcile the reasoning with the result, as least as we patent lawyers understand things. The IPR statute, § 312, requires a petition to be pleaded "with particularity." Cuozzo's petition to institute set out a clear list of specific grounds—specific references applied to specific claims—but the PTAB played a game of mix and match as a matter of naked "discretion," in a context that denied the patent owner an opportunity to respond. The majority does not explain how Cuozzo's facts don't fit into § 706(2)(A), (C), and (D), are "in excess of statutory jurisdiction," "not in accordance with law," and "without observance of procedure," apparently because Cuozzo's briefs didn't ask the question.

Had *Cuozzo* slotted the argument into the Supreme Court's "agency's own regulations" administrative law cases<sup>34</sup>—explaining that the PTAB overtly jumped into the fight on the side of the petitioner by rewriting the petition in the petitioner's favor—the outcome likely would have been different. Had *Cuozzo*'s brief (1) pointed out that the IPR statute was *heavily* negotiated by Congress for *years*, with the USPTO as an active participant; (2) contrasted Congress's careful balancing of interests against three individual administrative patent judges' substituting personal "discretion"; (3) pointed out that the PTAB's "discretion" deprived *Cuozzo* of an opportunity to respond; and (4) applied those facts under the relevant Supreme Court case law that gives agencies "no discretion" to depart from their procedural regulations, the Court likely would have construed the preclusion statute narrowly, and corralled the USPTO back to its statutory obligations.

In short, *Cuozzo* lost a *very* winnable issue because the opening brief argued patent law principles to the near exclusion of administrative law principles. And the Federal Circuit is left with a difficult task of reconciling *Cuozzo*'s reasoning against its end result.

### **What Are the Limits on the USPTO's Jurisdiction, and Who Enforces Them?**

*Cuozzo*'s brief doesn't squarely present the issue of the PTAB's transgression of its own jurisdictional boundaries. Section 312(a) reads, "A petition . . . may be considered only if . . . the petition identifies, in writing and *with particularity*, each claim challenged, the *grounds* on which *the challenge to each claim* is based . . . ." Section 314(a) reads, "The Director may not authorize [institution of an IPR] unless the Director determines that the information *presented in the petition* . . . shows that there is a reasonable likelihood that the petitioner would prevail . . . ." These are plainly jurisdictional statutes, confining jurisdiction to the grounds in the petition. The APA, in § 706(2)(C), provides that a court shall set aside agency action "in excess of statutory jurisdiction, authority, or limitations." Subject matter jurisdiction is never waived; yet, *Cuozzo*'s brief argues only breaches of the AIA, not the jurisdictional issues that—the majority tells us—would be reviewable under administrative law principles.

The Supreme Court has been quite strict in enforcing agencies' jurisdictional boundaries, no matter (in the *Cuozzo* majority's words) how compelling "one important congressional objective" might be.<sup>35</sup> For example, *FDA v. Brown & Williamson Tobacco Corp.*<sup>36</sup> concerned FDA regulations to limit sale of tobacco to minors. The Court gave a strong reaffirmation of a court's role in enforcing jurisdictional limits:

This case involves one of the most troubling public health problems facing our Nation today . . . . Regardless of how serious the problem an administrative agency seeks to address, however, it may not exercise its authority "in a manner that is inconsistent with the administrative structure that Congress enacted into law." . . . [A] reviewing "court, as well as the agency, must give effect to the unambiguously expressed intent of Congress."<sup>37</sup>

Cuozzo's brief fleetingly nibbles at the edges of the issue, and even cites one of the important cases in this line (for a different proposition), but never squarely frames the challenge as "in excess of [the agency's] jurisdiction"—neither brief mentions § 706 at all. Because the basic issue was a tribunal creating new issues to cover omissions from a party's opening brief, perhaps the Court felt constrained not to correct Cuozzo's oversight by substituting its own framing of the case.

The reasoning of *Cuozzo* appears to place jurisdictional issues within the scope of judicial review: subject matter jurisdiction is central to a court's duty to prevent agencies from "act[ing] outside . . . statutory limits," or in the language of § 706, "in excess of statutory jurisdiction." Because § 314(d)/§ 324(e) only limit issues arising under "this section," one would expect jurisdictional limits from other statutes and regulations to be especially susceptible to review: deadlines, "privy of petitioner," estoppel, etc. These jurisdictional limits on IPR and PGR were *heavily* negotiated in Congress, and leaving them outside the reach of judicial review is an invitation to the kinds of "shenanigans" *Cuozzo* warns of. However, other language of *Cuozzo* suggests otherwise: the *Cuozzo* majority tells us that review under "closely related statutes" may be precluded as well (without telling us what counts as "related" or how "close").<sup>38</sup>

Had the issue been presented squarely as a challenge to PTAB action beyond its jurisdiction, presenting the patent law issues as underlying support for APA § 706 grounds, *Cuozzo* likely would have obtained a favorable result, and the Court majority would not have been left grasping at inconsistent straws to reach its decision.

## Looking Ahead

### What's Reviewable?

The *Cuozzo* majority gives us examples of issues that are reviewable, but no criteria that define the set. The *Cuozzo* majority's long paragraph and the dissent both indicate that the full reach of § 706 applies to underlying issues in decisions to institute.

Even if the Federal Circuit reads the latter half of the "long paragraph" to leave § 706 precluded in part, the list of especially egregious "arbitrary and capricious" agency errors listed in the Supreme Court's landmark 1983 *State Farm* decision<sup>39</sup> might form a useful dividing line:

- Failure to "examine the relevant data and articulate a satisfactory explanation for its action including a 'rational connection between the facts found and the choice made.'" "[A]n agency must cogently explain why it has exercised its discretion in a given manner."
- "[W]hether the decision was based on a consideration of the relevant factors and whether there has been a clear error of judgment."
- "[I]f the agency has relied on factors which Congress has not intended it to consider, entirely failed to consider an important aspect of the problem, offered an explanation for its decision that runs counter to the evidence before the agency, or is so implausible that it could not be ascribed to a difference in view or the product of agency expertise."

Under general principles of administrative law, the factors that trouble the *Cuozzo* majority probably include this list as well. The *Cuozzo* majority's reasoning (as opposed to the result) would suggest that preclusion extends little beyond the good faith differences in judgment that the Court believed it had before it.

### What Limits Remain?

The Supreme Court all but invites a parade of horrors. Consider a petition that is unquestionably well after the one-year time bar, and the PTAB institutes against a claim that was not mentioned in the petition. To go one step further, imagine institution on art raised sua sponte by the PTAB. Under pre-*Cuozzo* Supreme Court law, such a decision would clearly be reviewable.<sup>40</sup> Under the Federal Circuit's 2015 per se approach (now vacated by *Cuozzo*), it would be unreviewable. After *Cuozzo*, because the Supreme Court carved out IPR/PGR institution for different treatment than any other agency's decisions, it's hard to tell.

### Decisions to Not Institute

In *St. Jude Medical, Cardiology Division, Inc. v. Volcano Corp.*,<sup>41</sup> the PTAB had denied institution because the petitioner was served with a complaint alleging infringement more than a year earlier, in a prior litigation. The Federal Circuit was asked to clarify the precise contours and definition of the one-year time bar, but it didn't reach the question because it dismissed under § 314(d).

After *Cuozzo*, that obviously reaches too far. The one-year time bar is just as "jurisdictional" as "indefiniteness under § 112," which *Cuozzo* cites as an example of a nonprecluded issue.<sup>42</sup> Similarly, a decision to not institute that is so flimsy as to fail *State Farm* criteria—for example, by relying on a principle with no statutory or regulatory basis ("redundant" comes to mind)—should be reviewable.

### Issues Grounded in Jurisdiction, Especially Jurisdictional Prerequisites outside § 314/§ 324

The non-patent latter half of *Cuozzo*'s "long paragraph" reopens the reviewability issues such as:

- whether a petitioner is a privy of a party that was time barred;<sup>43</sup>
- whether the IPR was time barred because the petition was filed more than a year after filing of suit;<sup>44</sup>
- whether a supplemental petition, unquestionably filed more than a year after a litigation complaint, was time barred;<sup>45</sup> and
- whether institution of a CBM is reviewable when the petition raised only anticipation and the USPTO instituted on multi-reference obviousness<sup>46</sup>

We'll see how the Federal Circuit resolves the internal contradictions in *Cuozzo*. These seem to me to be clearly reviewable, if framed (as *Cuozzo* suggests) in terms of administrative law issues such as "in excess of statutory jurisdiction," "not in accordance with law," and "without observance of procedure," reviewable under § 706(2)(A), (C), and (D), instead of patent law.

## Mandamus

The majority leaves open whether decisions to institute are reviewable on mandamus. Errors that are simply beyond the pale, like those enumerated by the *Cuozzo* majority, are classic fodder for a mandamus order to an agency to issue a new decision. However, mandamus requires showing that “no other adequate remedy” is available. If review of the decision to institute is available with review of the final decision, it may be difficult to show “no other adequate remedy” for mandamus, and that interlocutory mandamus is consistent with Congress’s intent to keep IPRs on track for decision in 18 months. On the other hand, the Supreme Court has never (at least never before *Cuozzo*) taken a “substantive ends justify the procedural means” view of agency procedure, and was not informed of the substantial impairment of patent rights that exists between a wrongful institution and ultimate appellate conclusion years later.

## Wi-Fi One v. Broadcom and Husky v. Athena

As of this writing (October 2016), the Federal Circuit has issued two decisions that, while having some grounding in *Cuozzo*, are in deep tension with decades of Supreme Court precedent, and with the assurance of the *Cuozzo* majority that § 706 issues are not precluded.

In *Wi-Fi One, LLC v. Broadcom Corp.*,<sup>47</sup> the patent owner sought discovery on whether the petitioner was “in privity” with another party, and thus barred from bringing an IPR by § 315(b). The *Wi-Fi One* Federal Circuit rejected an argument that *Cuozzo* had implicitly overruled *Achates*, and held that because review for “in privity” is precluded, the underlying discovery issue was likewise precluded. The reasoning in *Wi-Fi One* is difficult to reconcile with the Supreme Court’s long-standing presumption of review—such underlying and procedural issues are especially amenable to review.

Similarly, in *Husky Injection Molding Systems, Ltd. v. Athena Automation Ltd.*,<sup>48</sup> the patent owner challenged an IPR institution on grounds of assignor estoppel. The *Husky* opinion gives a scholarly review of the Federal Circuit’s own pre-*Cuozzo* precedent (though with no discussion of the far-longer line of Supreme Court case law) and the patent law discussion in the first half of the “long paragraph” from *Cuozzo*, and from them derives a detailed “cookbook” for preclusion and nonpreclusion of issues arising under *patent law*. However, *Husky* gives only the lightest consideration to the non-patent second half of the “long paragraph,” and does not mention the APA assurance from *Cuozzo*.

These two panel decisions diverge from the administrative law that governs all other agencies. Perhaps not surprising, because (1) both parties’ post-*Cuozzo* supplemental briefs to the Federal Circuit focused almost exclusively on patent law issues, and overlooked the open barn door in the last half of *Cuozzo*’s long paragraph—“[s]uch ‘shenanigans’ may be properly reviewable . . . under the Administrative Procedure Act”; and (2) *Cuozzo* itself is such an outlier from precedent. Justice Breyer—who, *Cuozzo* aside, is usually the strongest voice in favor of uniform application of administrative law—could not have intended to send the USPTO off on a divergence from the rest of the federal government. In both *Wi-Fi One* and *Husky*, one judge offered an alternative opinion urging the court to grant en banc review. That seems essential to me—but parties before the Court have to explain the relevant administrative law principles for the Court to get it right.

## Conclusion

Almost every PTAB proceeding and appeal presents a “target rich environment” of administrative law issues. Teams that include administrative law expertise will successfully exploit many opportunities that are invisible to teams without that expertise.

This article has only skimmed the surface of the administrative law opportunities that *Cuozzo* missed. There are many differences between the powers of an Article III court and of an agency tribunal, differences between appellate review of an Article III court vs. judicial review of an agency, differences in the arguments that an appellant and appellee can raise, and differences in limits on raising new issues on appeal. For example, many of the USPTO’s arguments—arguments relied on in the majority opinion—could have been shut down with a deft cite to *Burlington Truck*<sup>49</sup> or *Chenery*.<sup>50</sup> Unfortunately, *Cuozzo*’s brief did not exploit those differences or cite the applicable administrative law. The reviewability issue was highly winnable, had the case been argued on the administrative law grounds on which the Court decided it.

Because of internal tensions in the *Cuozzo* decision, many issues remain to be decided by the Federal Circuit, and will be decided differently depending on how well parties match their argument turf to courts’ choice of decision turf.

## Endnotes

1. *Cuozzo Speed Techs. v. Lee (Cuozzo III)*, 136 S. Ct. 2131 (2016).
2. *In re Cuozzo Speed Techs. LLC (Cuozzo I)*, 778 F.3d 1271 (Fed. Cir. 2015), *reissued without change to the reviewability discussion, Cuozzo II*, 793 F.3d 1268 (Fed. Cir. 2015).
3. *See infra* note 6 and accompanying text.
4. *Cuozzo I*, 778 F.3d at 1276.
5. *Reuters Ltd. v. FCC*, 781 F.2d 946, 950–51 (D.C. Cir. 1986) (citation omitted); *see also* *Berkovitz v. United States*, 486 U.S. 531, 544 (1988) (“The agency has no discretion to deviate from [its procedural regulations].”).
6. 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.”); *Citizens to Preserve Overton Park, Inc. v. Volpe*, 401 U.S. 402 (1971).
7. 354 U.S. 363 (1957).
8. 359 U.S. 535 (1959).
9. *Vitarelli*, 359 U.S. at 547 (citing *Service*).
10. 387 U.S. 136 (1967).
11. *Id.* at 140.
12. *Id.* at 140 n.2.
13. 470 U.S. 768 (1985).
14. *Id.* at 771.
15. *Id.* at 791 (internal quotation marks omitted).
16. *Id.* at 780 n.13 (quoting 5 U.S.C. § 8128(b)).
17. *Id.* at 780 n.13 (quoting 38 U.S.C. § 211(a)).
18. 476 U.S. 667 (1986).



19. *Id.* at 672 n.3 (quoting *Wong Wing Hang v. INS*, 360 F.2d 715, 718 (2d Cir. 1966)).
20. *Id.* at 679 (quoting 42 U.S.C. § 405(h)).
21. *Id.* at 680.
22. *Id.* at 675 (citations omitted, emphasis the Court's).
23. *Cuozzo III*, 136 S. Ct. 2131, 2136, 2139, 2142 (2016).
24. See Brief for the Petitioner, *Cuozzo III*, 136 S. Ct. 2131 (Feb. 22, 2016) (No. 15-446).
25. *Id.* at 52–53.
26. *Id.* at 54 (citing *Soc. Sec. Bd. v. Nierotko*, 327 U.S. 358 (1946)).
27. *Id.* at xiv; Reply Brief for the Petitioner at iii, *Cuozzo III*, 136 S. Ct. 2131 (Apr. 15, 2016) (No. 15-446).
28. *Cuozzo III*, 136 S. Ct. at 2139.
29. *Id.* at 2151–53 (Alito, J., dissenting).
30. *Id.* at 2141–42 (majority opinion).
31. See *supra* notes 14–18 and accompanying text.
32. See *supra* notes 11–13 and accompanying text.
33. *Cuozzo III*, 136 S. Ct. at 2141.
34. See *supra* notes 6, 8–10 and accompanying text.
35. *Cuozzo III*, 136 S. Ct. at 2139–40.
36. 529 U.S. 120 (2000).
37. *Id.* at 125 (citation omitted).
38. *Cuozzo III*, 136 S. Ct. at 2141.
39. *Motor Vehicle Mfrs. Ass'n of U.S. v. State Farm Mut. Ins. Co.*, 463 U.S. 29, 43, 48, 52 (1983).
40. See *supra* note 6 and accompanying text.
41. 749 F.3d 1373, 1375–76 (Fed. Cir. 2014).
42. *Cuozzo III*, 136 S. Ct. at 2154.
43. *Achates Reference Publishing, Inc. v. Apple Inc.*, 803 F.3d 652 (Fed. Cir. 2015).
44. *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284 (Fed. Cir. 2015).
45. *Shaw Industries Group, Inc. v. Automated Creel Systems, Inc.*, 817 F.3d 1293 (Fed. Cir. 2016).
46. *SightSound Technologies LLC v. Apple, Inc.*, 809 F.3d 1307 (Fed. Cir. 2015).
47. 837 F.3d 1329 (Fed. Cir. 2016).
48. 838 F.3d 1236 (Fed. Cir. 2016).
49. *Burlington Truck Lines, Inc. v. United States*, 371 U.S. 156, 168–69 (1962) (recognizing that an agency decision can only be affirmed “on the same basis articulated in the order by the agency itself”).
50. *SEC v. Chenery Corp.*, 318 U.S. 80, 93–95 (1943).