

No. 22-203

IN THE
Supreme Court of the United States

APPLE INC., BROADCOM LIMITED NKA BROADCOM
INC., BROADCOM CORPORATION, AVAGO TECHNOLOGIES
LIMITED NKA AVAGO TECHNOLOGIES INTERNATIONAL
SALES PTE. LIMITED,

Petitioners,

v.

CALIFORNIA INSTITUTE OF TECHNOLOGY,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

REPLY BRIEF FOR PETITIONERS

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INTRODUCTION

Caltech provides no sound reason to deny review of the important question of statutory interpretation presented in this case. Caltech does not dispute that the term “during that inter partes review” refers to the period *after* the inter partes review is instituted. Instead, Caltech attempts to rewrite the statute, makes a flawed surplusage argument, and relies on vague legislative history. But the statute should be applied as written, not as reimagined by Caltech.

Caltech’s cert-worthiness arguments fare no better. This case is exceptionally important because the Federal Circuit’s decision will govern hundreds of patent disputes, with billions of dollars on the line. Moreover, despite Caltech’s attempt to manufacture a vehicle problem, Apple and Broadcom preserved their argument at every stage of the proceedings, there is no reason to wait for the recalculation of damages on remand, and the Federal Circuit did not rely on the number of petitions Apple filed or any other case-specific factor. The Federal Circuit decided the case as a pure question of statutory interpretation in a precedential decision with nationwide reach. With so much at stake, it is critical that this Court promptly grant review and reverse.

ARGUMENT

I. THE FEDERAL CIRCUIT’S DECISION CONFLICTS WITH THE PLAIN TEXT OF SECTION 315(e)

A. The Federal Circuit Misinterpreted The Statute

Caltech does not dispute that the plain meaning of “during that inter partes review” refers exclusively to

the period *after* the Director has instituted inter partes review—as illustrated by numerous dictionary definitions, related statutory provisions, and prior decisions of this Court. Pet. 14-19. Instead, like the Federal Circuit, Caltech attempts to rewrite the statute. Caltech rephrases the question presented as whether a party is estopped from asserting an invalidity ground that it “reasonably could have raised *in a prior petition for inter partes review*.” Opp. i (emphasis added). Caltech argues that the Federal Circuit “correctly held” that Section 315(e)(2) applies “to all grounds not stated *in the petition* but which reasonably could have been asserted against the claims included *in the petition*.” Opp. 13 (quoting Pet. App. 24a) (emphases added). Caltech also argues that “Apple reasonably could have asserted its new invalidity grounds *in its inter partes review petitions*.” *Id.* (emphasis added).

But the statute does not say “could have raised *in the petition*.” It says “could have raised *during* that inter partes review.” The difference is critical. The term “during that inter parties review” cannot be stretched to mean *before* inter partes review even begins. As written, Section 315(e)(2) applies only to grounds that were raised or reasonably could have been raised *after* inter partes review was instituted.

Attempting to justify its departure from the plain text, Caltech repeats the Federal Circuit’s argument that deviation is necessary to avoid rendering the phrase “could have raised” superfluous. But there is no need to distort the plain meaning of “during” to account for the phrase “could have raised.” For example, if a petitioner includes a ground in a petition requesting IPR but decides shortly after institution not to raise that argument during the IPR, estoppel would apply to

the ground that the petitioner “could have raised during that inter partes review” but did not.

SAS Institute, Inc. v. Iancu, 138 S. Ct. 1348, 1354 (2018), made this scenario more common. An all-or-nothing decision whether to institute means that if the Director exercises discretion to institute, the IPR must include all grounds in the petition, even ones the Director considered less strong. Pet. 21. But a petitioner who has been told in an institution decision that one ground is stronger than another may decide that it does not want to raise the weaker ground during the IPR. Apple and Broadcom are not merely “hypothesizing.” Opp. 14. They presented actual examples of parties deciding not to raise grounds on which the Board had instituted review. Pet. 21-22.

Caltech argues that a ground dropped after institution is still raised “during” the inter partes review, and focuses on a hypothetical ground that was “heavily litigated up to the eve of final decision” by the Board. Opp. 14. But Apple and Broadcom’s argument does not include the absurd proposition that a ground vigorously litigated after institution and abandoned at the last minute was not raised during the IPR. Caltech is attempting to distract from the more salient example of a petitioner who promptly informs the Board—before the patent owner has even filed its patent owner response, 37 C.F.R. § 42.108—that it has withdrawn and will not raise one of the instituted grounds during the IPR. That example illustrates that Caltech is simply wrong when it contends that only the Federal Circuit’s interpretation gives any meaning to “could have raised.”

Caltech’s surplusage argument further fails because the canon “assists only where a competing interpretation gives effect to every clause and word of a

statute.” *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 106 (2011) (quotation marks omitted). Far from avoiding surplusage, the Federal Circuit’s atextual interpretation effectively reads the words “during that inter partes review” out of the statute.

Caltech’s surplusage argument also ignores that the exact procedures currently used by the Board were not fixed when Congress adopted the phrase “could have raised.” Congress established some broad contours, including the distinction between a petition for institution and the IPR itself, which does not begin until the Director decides whether to institute. But the statute charges the Director with establishing many of the remaining details, including “establishing procedures for the submission of supplemental information after the petition is filed” and promulgating regulations “establishing and governing inter partes review.” 35 U.S.C. § 316(a)(3)-(4). The Court should not give weight to an argument that “could have raised” is surplusage under the *current* regulations when Congress was drafting an estoppel provision that would apply across all permissible procedural variations that the Director might adopt.

Congress drew a distinction between “the petition” and “inter partes review,” and applied Section 315(e)(2) only to arguments that were raised or reasonably could have been raised “*during* that inter partes review”—i.e., after institution. The Federal Circuit’s decision conflicts with that straightforward command.

B. Caltech Cannot Use Legislative History Or Inapt Common Law To Rewrite The Statute

Unable to find support in the statute’s plain text, Caltech relies heavily on legislative history and inapt

analogies that do not—and cannot—change the meaning of the statute.

First, Caltech’s sweeping pronouncements regarding the intent of “Congress” primarily rely on vague floor statements by individual legislators, Opp. 8-9, 18-20, which are “among the least illuminating forms of legislative history,” *NLRB v. SW Gen., Inc.*, 580 U.S. 288, 307 (2017). Indeed, this Court previously rejected attempts to change the America Invents Act’s text based on one of the same floor statements that Caltech cites. See *Helsinn Healthcare S.A. v. Teva Pharms. USA, Inc.*, 139 S. Ct. 628, 633-634 (2019) (holding Congress did not change the meaning of “on sale” to exclude “secret sales”); Pet’r Br. 7, *Helsinn Healthcare S.A. v. Teva Pharms. USA, Inc.* No. 17-1229 (U.S. Aug. 23, 2018); Opp. 25 (citing 157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011)).

Even worse, Caltech relies most heavily on statements by lawmakers who appended “Additional” and “Minority Views” regarding estoppel to a Senate Judiciary Committee Report. See S. Rep. No. 110-259, at 64-68 (2008). Those lawmakers argued for replacing “the current ‘could have raised’ test” with a test requiring a challenger “to raise all prior art identified to him as a result of a reasonable search.” *Id.* at 67. But that view of estoppel did not even command a majority of the committee, let alone a majority of Congress. Similarly, Caltech’s citation of “one Senate Report,” Opp. 18, actually quotes the “Minority Views” on a different bill, S. Rep. No. 111-18, at 56 (2009). Caltech is thus seeking to achieve through cherry-picked statements what the lawmakers in question failed to achieve through the legislative process.

Second, Caltech misconstrues Congress’s aims in creating inter partes review. Congress’s motivation was to *encourage* administrative patent challenges. The House Judiciary Committee stated that it intended to address the “growing sense that questionable patents are too easily obtained and are too difficult to challenge” and to “improv[e] patent quality” through “a more efficient system for challenging patents that should not have issued.” H.R. Rep. No. 112-98, at 39-40 (2011). Inter partes review is an “efficient system for challenging patents” because it permits quick and early shots at a patent—which could obviate the need for further infringement litigation—not because it precludes litigation of invalidity grounds never presented to the agency.

Third, Caltech’s reliance on the predecessor inter partes reexamination statute is misplaced. Opp. 20. The repealed statute made clear, out of an abundance of caution, that estoppel could not be based on “newly discovered prior art unavailable to the third-party requester.” 35 U.S.C. § 315(c) (2006). From this, Caltech draws the incorrect negative inference—unsupported by a single citation—that mere availability of prior art is not only necessary but sufficient to trigger estoppel. Caltech then improperly projects this flawed inference onto the current inter partes review statute, in which Congress *deleted* the provision on which Caltech’s argument depends.

Fourth, Caltech incorrectly relies on the common law of claim preclusion. Patent invalidity is not a cause of action omitted from a complaint; it is a defense to infringement. 35 U.S.C. § 282(b)(2). The very case Caltech cites notes that “[t]here may be good reasons to question any application of claim preclusion to defenses.” *Lucky Brand Dungarees, Inc. v. Marcel Fashions*

Grp., Inc., 140 S. Ct. 1589, 1595 n.2 (2020). Even if this hurdle could be overcome, claim preclusion does not logically apply to IPRs. “[I]nvalidity ... is not a ‘claim’ but a defense to the patent owner’s ‘claim’” for purposes of claim preclusion. *Foster v. Hallco Mfg. Co.*, 947 F.2d 469, 479 (Fed. Cir. 1991). Application of claim preclusion thus “rests on the facts respecting the patent owner’s claim for infringement” in a prior proceeding. *Id.* But because there is no allegation of infringement in IPRs, they cannot involve the same “claim” as a parallel infringement litigation. *See also* Laser, *The Scope of IPR Estoppel: A Statutory, Historical, and Normative Analysis*, 70 Fla. L. Rev. 1127, 1151 (2018) (discussing additional problems with claim preclusion argument).

Legislative history and misguided analogies to the common law cannot fill the gaps in Caltech’s statutory argument.

II. THE QUESTION PRESENTED IS IMPORTANT

The question presented is exceptionally important and will affect hundreds of cases. Caltech’s attempts to downplay that impact are unavailing.

First, Caltech argues that “only” 160 inter partes review petitions in 2021 resulted in some claims being found patentable. Opp. 23. But at least 80% of inter partes reviews involve parallel district court infringement proceedings. Pet. 24; United Patents Br. 7-8. The question presented could thus arise in over 125 cases *every year*.

The frequent recurrence of the question presented is not a hypothetical concern. Apple and Broadcom’s certiorari petition cited at least twelve district court opinions that split on the scope of estoppel. Pet. 24-25

& n.11. It also cited two Federal Circuit cases that have already applied the *Caltech* opinion. Pet. 25-26. Notably, the Federal Circuit’s decision in *Click-to-Call Technologies LP v. Ingenio, Inc.*, 45 F.4th 1363 (Fed. Cir 2022), relied on the *Caltech* decision to revive a patent that had been declared invalid by the district court. Similarly, *Intuitive Surgical, Inc. v. Ethicon LLC*, 25 F.4th 1035 (Fed. Cir. 2022), relied on the *Caltech* decision to block a challenge that the PTAB had already found was reasonably likely to succeed.

Caltech contends that appellate reversal of an invalidity judgment like *Click-to-Call* is “unlikely to reoccur frequently.” Opp. 24. But that is only because the Federal Circuit’s new rule will block district courts from addressing many invalidity grounds on the merits. For example, in the first weeks after the certiorari petition was docketed, two more rulings relied on the *Caltech* decision to block litigants from asserting invalidity defenses. See *Sioux Steel Co. v. Prairie Land Mill Wright Servs.*, 2022 WL 4132441, at *9-11 (N.D. Ill. Sept. 12, 2022); *Innovative Memory Sys., Inc. v. Micron Tech., Inc.*, 2022 WL 4548644, at *5 (D. Del. Sept. 29, 2022) (Hall, M.J.). And for every case that produces a written opinion, the *Caltech* decision will compel many more parties to withdraw defenses without awaiting a court order. Pet. 27.

As illustrated by the \$1.17 billion judgment in this case, the stakes in even a single patent case can be high. Pet. App. 12a. The collective effect of the Federal Circuit’s decision will be even greater. The correct resolution of the question presented is thus of enormous importance, not only to the litigants involved but also to “the public’s paramount interest in seeing that patent monopolies are kept within their legitimate

scope.” *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261, 272, 279-280 (2016) (quotation marks omitted).

Second, Caltech underestimates the burden that the Federal Circuit’s misinterpretation imposes on district courts. Opp. 25; Pet. 28-29. Caltech inconsistently vacillates between arguing that estoppel applies only to references a petitioner “knew about,” Opp. 23, and arguing that estoppel applies to unknown references it “could have been expected to discover,” Opp. 25. But neither formulation grapples with the difficult additional step of determining how the Director would have exercised her discretion.

Because estoppel applies only to grounds that were raised or could have been raised “during th[e] inter partes review,” it is not enough merely to say that a ground could have been presented *in the petition* requesting review. Rather, a court must determine whether the Director still would have instituted IPR *if* that additional ground had been presented. This requires a court to decide a difficult *counterfactual* question predicting how the Director would have exercised the Director’s broad *discretion* to institute a *different* petition. In contrast, under the proper interpretation of the statute, it would be easy to tell from the institution decision which grounds were raised or could have been raised during the IPR.

Third, Caltech does not meaningfully address the untenable choice that the Federal Circuit’s ruling forces on a cautious petitioner: either (1) forgo inter partes review, or (2) expend resources filing a multitude of petitions including every possible invalidity ground—on pain of estoppel—knowing that the agency considers such a barrage to be burdensome and may deny institution as a result. Pet. 30.

Caltech urges the Court to disregard this dilemma and the procedural constraints on petitioners. But the word limit is a real restraint on the number of grounds that can be included in a single petition. *See, e.g., Avant Tech., Inc. v. Anza Tech., Inc.*, No. IPR2019-00042, 2019 WL 1575162, at *4 (P.T.A.B. Apr. 10, 2019) (denying institution based on, *inter alia*, violation of word limit and rule against incorporation by reference). In addition, the PTO’s guidance describes multiple petitions as “a substantial and unnecessary burden on the Board,” Pet. 31, and the Board has exercised discretion to deny petitions with voluminous grounds, Pet. 29-30.

Caltech implies that none of this matters because Apple filed eight petitions, and the Board instituted seven IPRs, in this particular case. But Caltech neglects to mention that those petitions had to address 79 separate claims across three different patents. Nor does Caltech dispute that its position would have forced Apple to file even more petitions to avoid losing its rights.

There is no reason to impose this dilemma on petitioners, thwarting Congress’s objective of creating a more efficient system for challenging patents. *Quarles v. United States*, 139 S. Ct. 1872, 1879 (2019) (“We should not lightly conclude that Congress enacted a self-defeating statute.”). This paradoxical outcome can be avoided by faithfully applying the plain text of the statute and limiting estoppel to grounds that the petitioner raised or reasonably could have raised “during” the inter partes review—i.e., instituted grounds.

III. CALTECH'S ATTEMPTS TO MANUFACTURE A VEHICLE PROBLEM FAIL

This case presents an ideal vehicle to resolve the question presented. The Federal Circuit decided the issue as a pure statutory question, and its precedential decision now governs all patent cases nationwide.

Unable to dispute that Apple and Broadcom pressed their argument below and the Federal Circuit passed upon the question, Caltech complains about a few additional citations of dictionary definitions, statutory subsections, and PTO rules. Opp. 31. But providing additional support for an *existing* statutory argument is commonplace. See *Lebron v. National R.R. Passenger Corp.*, 513 U.S. 374, 379 (1995). Moreover, Caltech's suggestion that more needed to be said below ignores that (1) even Caltech thought at the time that the panel was bound by Federal Circuit precedent, and (2) Caltech does not now dispute the central point of Apple and Broadcom's citations showing that IPR does not begin until after institution.

Caltech's argument that the decision was interlocutory, Opp. 30, is also a red herring. Caltech never explains how the remand to recalculate damages would affect the invalidity issue, whereas a ruling of invalidity would clearly eliminate the need to determine damages. Caltech also ignores that Congress passed a special statute authorizing appeals "in a civil action for patent infringement" that is "final except for an accounting," 28 U.S.C. § 1292(c)(2), because it did not want damages trials to delay appellate review of noninfringement and invalidity defenses.

The Court should also reject Caltech's suggestion for further percolation. Opp. 30-31. The Federal Circuit's decision did not rely on the number of petitions

that Apple filed or any other case-specific factor. The Federal Circuit ruled as a matter of statutory interpretation and spoke in sweeping terms that rewrote the statute's plain text. The Federal Circuit's misinterpretation of the statute is now binding in every patent case nationwide. Every day that it remains in effect, it will continue to deprive litigants and the public of the opportunity to challenge invalid patents. This Court should grant review without delay and restore the statute as written by Congress.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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