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# Federal Circuit Patent Bulletin: *Automated Merch. Sys., Inc. v. Lee*

April 10, 2015

*"The PTO's refusal to terminate [inter partes] proceedings [is] not a final agency action [subject to judicial review under the Administrative Procedures Act]."*

On April 10, 2015, in *Automated Merch. Sys., Inc. v. Lee*, the U.S. Court of Appeals for the Federal Circuit (Prost, Taranto,* Fogel) affirmed the district court's summary judgment upholding the U.S. Patent and Trademark Office's (PTO) refusal under 35 U.S.C. § 317(b) to terminate four pending inter partes reexaminations of U.S. Patents No. 6,384,402, No. 6,794,634, No. 7,191,915, and No. 7,343,220, which related to vending machine optical sensing systems, following the settlement of another district court suit involving AMS and Crane Co. (the requester of the reexaminations) that dismissed the infringement claims and stipulated to the patents' validity. The Federal Circuit stated:

Under the [Administrative Procedure Act (APA)], "[a]gency 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. A preliminary, procedural, or intermediate agency action or ruling not directly reviewable is subject to review on the review of the final agency action." It is undisputed that no statute makes the challenged refusal to terminate the inter partes reexaminations immediately reviewable. Accordingly, the refusal is not reviewable unless it is a "final agency action for which there is no other adequate remedy in a court."

Generally, two requirements must be met for an agency action to be final. "First, the action must mark the 'consummation' of the agency's decisionmaking process-it must not be of a merely tentative or interlocutory nature. And second, the action must be one by which 'rights or obligations have been determined,' or from which 'legal consequences will flow.'" The PTO's refusal to terminate the inter partes reexaminations here does not qualify as a final agency action under those standards. The PTO's refusal was anything but the "'consummation' of the [PTO's] decisionmaking process"; it was, instead, "interlocutory" in nature.

An analogy is apt: the PTO's refusal to stop the proceedings here was as interlocutory, as far from final, as the run-of-the-mill district-court denial of a motion to dismiss. An ultimate merits determination regarding the validity of any of the patent claims at issue has not yet been reached in any of the reexamination proceedings. The reexaminations could end with decisions in AMS's favor, which would moot any controversy over how to interpret § 317(b). The PTO's refusal to terminate simply permits each reexamination to reach such a final disposition-nothing more.

The PTO's refusal to terminate the proceedings also is not an action "by which 'rights or obligations have been determined,' or from which 'legal consequences will flow.'" AMS has lost no patent rights from the refusal to terminate the proceedings. Any loss of patent rights for the patents at issue will not occur until completion of the relevant reexamination. The only direct consequence that flows from the PTO's refusal to stop the proceedings is that AMS must continue to participate in the reexaminations to preserve its interests. Alone, however, an agency's imposition of the burden of participating in administrative proceedings is not enough to render that action final.

If AMS receives an adverse ruling from the PTO in any of the reexaminations, AMS will at that time have an "adequate remedy in a court." Under the APA, the "intermediate" agency action of refusing to stop the reexaminations, not elsewhere declared to be unreviewable, "is subject to review on the review of the final agency action." The PTO has conceded that, under 35 U.S.C. § 315(a)(1) (2006), "AMS can appeal any adverse[final determination of patentability]" to this court for "consider[ation of] whether the reexamination proceedings should have been terminated under § 317(b)."

Accordingly, there is clearly no final agency action here. . . . AMS therefore cannot proceed under the APA. And mandamus and the Declaratory Judgment Act, the other statutory avenues of relief that AMS invoked in its com plaint, are also foreclosed. Mandamus relief under 28 U.S.C. §§ 1361, 1651 is unavailable. AMS can present its § 317(b) argument on appeal from any final adverse PTO determination in the reexaminations and, if correct about § 317(b), can secure reversal of such a determination. Because AMS has an adequate remedy and its only present harm is the burden of participating in the proceedings at issue, it is not entitled to mandamus relief. Relief under the Declaratory Judgment Act, 28 U.S.C. § 2201, is also unavailable. AMS has not relied on that Act in its arguments to us, and for good reason. The Act provides a "discretionary" remedy that "courts traditionally have been reluctant to apply . . . to administrative determinations" that are not final or otherwise ripe for review. "A declaratory judgment action should not be used to circumvent the usual progression of administrative determination and judicial review." A contrary conclusion here would impermissibly employ the general, discretionary declaratory-judgment remedy to override the specific requirements of the APA addressing review of agency action. Because the PTO's refusal to terminate the

proceedings at issue was not a final agency action, the district court did not err in granting summary judgment in favor of the PTO.