

4 Fights The Federal Circuit Picked With PTAB This Year

By **Jacqueline Bell**

Law360, New York (August 15, 2016, 4:53 PM ET) -- The Federal Circuit doesn't often disagree with the work of the fledgling Patent Trial and Appeal Board, but when it does, it doesn't mince words.

In the handful of opinions issued in the first half of 2016 where the Federal Circuit did not simply back the decision of the PTAB in a so-called inter partes review, the most popular patent review proceeding created by the America Invents Act, the Federal Circuit delivered some sharply worded rebukes to the relatively young administrative court.

Law360 took a deep dive into those opinions, and isolated the key issues that seemed to particularly frustrate the federal appeals court in the first six months of 2016, and may give some new hope to appellants.

"These are road posts the Federal Circuit has provided. You're still going to have a hard time, but there are ways to get reversals now. You're starting to see some, and I suspect you'll see more," said John Ward, partner at Kelley Drye & Warren LLP.

The PTAB was created by the America Invents Act to manage patent challenges in administrative proceedings at the U.S. Patent and Trademark Office. Those proceedings have proven to be extraordinarily popular, particularly inter partes reviews, a procedure designed to allow parties to challenge the validity of patent claims.

Inter partes reviews first became available in September 2012, but the Federal Circuit only began to rule on appeals from those proceedings last year. But the popularity of those proceedings means those appeals are taking up an increasing share of the Federal Circuit's workload. In all of 2015, the Federal Circuit issued rulings on 43 IPR appeals. In just the first six months of 2016, the Federal Circuit ruled on 55 IPR appeals.

Still, the Federal Circuit has continued to give the PTAB a wide berth as it wades through the wave of IPR filings that has slammed that office, largely affirming its decisions. In the first six months of 2016, the Federal Circuit affirmed 80 percent of rulings from the PTAB in IPR proceedings.

But the remaining 20 percent, where the Federal Circuit reversed, vacated or otherwise issued a mixed ruling in an IPR case, provide some insight into just where the Federal Circuit thinks the PTAB may be going astray, and when it might be moved to overrule the work of the new forum.

“You can begin to see where some avenues are that might enhance the prospect that you’ll get a close review or even a reversal or remand,” said Marc Cavan, a partner at Baker & McKenzie LLP.

Here are four issues the Federal Circuit had with PTAB decisions in the first six months of 2016.

Not Showing Its Work

In more than one opinion issued in the first half of 2016, the Federal Circuit coolly asked for a do-over because the PTAB simply hadn’t provided a clear explanation of its decision.

In a battle between Cutsforth Inc. and MotivePower Inc., for example, the Federal Circuit vacated a PTAB decision, finding the board didn’t adequately describe its reasons for finding a Cutsforth brush holder patent invalid, and instead made "broad, conclusory statements."

“The majority of the board’s final written decision is spent summarizing the parties’ arguments and offers only conclusory analysis of its own. ... This leaves little explanation for why the board found the claimed invention obvious,” Chief U.S. Circuit Judge Sharon Prost wrote on behalf of the panel.

The Federal Circuit similarly admonished the PTAB in other cases in the first half of 2016 for failing to explain itself, including in a dispute involving a Black & Decker patent for an outdoor trimmer, and in a fight over a yarn-making machine patent.

The appeals court also took the PTAB to task in a battle between Nike Inc. and Adidas AG over a footwear patent. The PTAB should have examined and analyzed Nike’s evidence that its proposed claims were not obvious, but the board’s decision “lack[ed] a discussion, or even an acknowledgement of that evidence,” the Federal Circuit said.

The Federal Circuit’s refusal to accept the PTAB’s shorthand and its demands that the PTAB show its work have been a way for the Federal Circuit to hold the agency accountable and ensure that the rulings it makes are easily understood as well as reviewable by an appeals court, attorneys say.

“The PTAB is a fairly new forum. The feedback the Federal Circuit is clearly sending to the PTAB is that you have to explain how you got there. You can't be conclusory. There has to be a record for the parties to look at and understand and for it to be appealed if someone wants to appeal it,” said Jonathan Caplan, a partner at Kramer Levin Naftalis & Frankel LLP.

But these rulings also give parties on both sides some key information about how to formulate their arguments, attorneys say.

For those who might be seeking to undo an unfavorable ruling at the PTAB, the rulings may provide a glimmer of hope if the board’s reasoning is not completely spelled out.

“They do not like conclusory recitations. Those are more vulnerable to reversal,” Cavan said.

And for parties eager to preserve a favorable ruling, these opinions make clear that it’s important to do a thorough job in front of the PTAB and lay the groundwork early, putting together a complete case and giving the board plenty to work with in order to make the decision more appeal-proof, said Michael Rosato, a partner at Wilson Sonsini Goodrich & Rosati PC.

"It underscores the fact that AIA proceedings before the board are incredibly front-loaded proceedings. A petition has to include a defensible case that is thoroughly supported with the materials that are filed with the petition. And that case has to be able to withstand 18 months of scrutiny," Rosato said.

Changing Theories Midstream

The Federal Circuit also had strong words for the PTAB in a brawl between ComplementSoft LLC and SAS Institute Inc. over a software patent. In the June ruling, the Federal Circuit faulted the PTAB for using varying definitions for key terms at different stages of the proceeding.

"What concerns us is not that the board adopted a construction in its final written decision, as the board is free to do, but that the board 'change[d] theories in midstream,'" the appeals court wrote.

While the appeals court said it did agree with the PTAB's interpretation of a key term, how the board got to that point "gives us pause," U.S. Circuit Judge Kara Farnandez Stoll wrote. The definition the PTAB used for the term in its final written decision differed significantly from how the board had initially defined the phrase when it first agreed to examine the patent.

"It is difficult to imagine either party anticipating that already-interpreted terms were actually moving targets," the panel wrote, adding that it was "unreasonable to expect that they would have briefed or argued, in the alternative, hypothetical constructions not asserted by their opponent."

The Federal Circuit clearly feels that the PTAB needs to stick to its role as umpire in these proceedings and not stray into the batter's box, said Jon Wright, chair of the appellate practice at Sterne Kessler Goldstein & Fox PLLC.

"The board should be calling balls and strikes and not stepping into the shoes of the party and making arguments for the party the party never made," he said.

Not Playing Fair

Ensuring that the PTAB follows the correct procedure and allows each side every opportunity to make its case has been a particular focus in a few different rulings for the Federal Circuit this year, including in a fight between Dell Inc. and Acceleron LLC.

In a March ruling, the Federal Circuit tossed the PTAB's cancellation of a claim from Acceleron's patent, saying a key argument by Dell was first raised at oral argument and not contained in prior pleadings.

"In this case, the board denied Acceleron its procedural rights by relying in its decision on a factual assertion introduced into the proceeding only at oral argument, after Acceleron could meaningfully respond," the panel said.

In this case, among others, the Federal Circuit clearly showed that it was willing to consider well-crafted appeals that raised the question of whether the PTAB acted properly, attorneys say, giving appellants yet another possible way to argue a PTAB ruling should be overruled.

"The court, where it has written opinions, seems to be taking an active role in policing procedural inequities," said Pauline Pelletier, an attorney at Sterne Kessler.

Giving the Dictionary the Last Word

The Federal Circuit has also been known to slam the PTAB's dictionary usage, in opinions where the court finds the PTAB has used an overly broad interpretation of a key term.

In a February ruling, for example, the Federal Circuit said the PTAB had improperly invalidated some claims of three PPC Broadband patents on coaxial cable technology challenged by Corning Optical. The appeals court said the board's claim construction was incorrect because, while the board was required to give claims their "broadest reasonable interpretation," the construction it used was not reasonable.

"The board seems to have arrived at its construction by referencing the dictionaries cited by the parties and simply selecting the broadest definition therein," the court wrote. "While such an approach may result in the broadest definition, it does not necessarily result in the broadest reasonable definition in light of the specification."

The Federal Circuit takes an eagle-eyed approach to claim constructions, attorneys say, and is extremely unlikely to let problematic ones escape its attention. And claim construction is, in many instances, an issue that the appeals court can reconsider afresh on appeal, making it an ideal route for appellants to pursue.

If an appellant can argue that the PTAB failed to properly ground its analysis in the express language of the claims, that could be a trigger for the Federal Circuit to jump in and take a closer look, attorneys say.

"It's a symptom of the broader truism that often your best chance for reversal is where the court has the opportunity to look de novo at what the board did. The most common place where that can happen is claim construction," Wright said.

--Editing by Mark Lebetkin and Philip Shea.