

A Look Back At The Top AIA-Related Decisions Of 2016

By **Matthew Bultman**

Law360, New York (January 6, 2017, 3:45 PM EST) -- There have been some notable appellate rulings in the past year concerning America Invents Act proceedings as courts weighed in on issues ranging from claim construction standards to the procedural rights of parties who challenge or defend patents in the popular review system.

Here's a look at some of the top AIA-related decisions from 2016.

Cuozzo Speed Technologies LLC v. Lee

In this June ruling, the U.S. Supreme Court gave its blessing to the Patent Trial and Appeal Board's claim construction standard for reviewing patents in AIA inter partes reviews, rejecting arguments from patent owners that the rule results in too many patents being invalidated.

The court allowed the board to use the so-called broadest reasonable interpretation standard to construe claims, rather than the narrower standard used in district courts. Although Cuozzo said that reading claims broadly leaves patents too vulnerable to invalidation, the justices said the board's use of the standard was "reasonable exercise of [its] rulemaking authority."

"It's hard to say whether decisions at the board would have been significantly changed if the standard had gone down, but certainly there would be some change when you have such a dramatic shift in how they're applying something," said Rachel Elsby of Akin Gump Strauss Hauer & Feld LLP.

Separately, the justices ruled that "mine-run" issues in PTAB decisions to institute AIA review are not subject to judicial review. But the court said serious constitutional questions about whether the board exceeded its authority could still be subject to appellate review.

Going forward, "I think the reviewability issue is the bigger issue because there's now a body of law at the lower court level that is going to develop as a result of Cuozzo and has already started to develop," said Steven Auvil of Squire Patton Boggs LLP.

Husky Injection Molding Systems Ltd. v. Athena Automation Ltd. and Wi-Fi One LLC v. Broadcom Corp.

Indeed, the Federal Circuit has in recent months issued some decisions carving out the types of PTAB rulings not subject to appellate review.

Ruling in the Husky Injection case this past September, the court said it did not have jurisdiction to review a board decision that found the doctrine of assignor estoppel, which prevents the former owner of a patent from challenging its validity in later litigation, did not apply in inter partes review.

That same month, the court in case involving Wi-Fi One LLC said PTAB decisions that find an IPR petition is not time-barred also cannot be reviewed on appeal. Citing precedent, a Federal Circuit panel stuck to that position in November, though some judges said the full appeals court should address the issue.

The court agreed on Wednesday, deciding to take the Wi-Fi One case en banc.

Unwired Planet LLC v. Google Inc.

In another November decision, the Federal Circuit found the PTAB used an overly broad interpretation of which patents are subject to the covered business method review, a program under the AIA for challenging financial patents.

Here, the PTAB had found that Unwired Planet LLC's patent, which covered a system for restricting access to a wireless device's location information, was subject to review under the program because sales could result from advertising related to use of the patent. But the Federal Circuit said that went too far and "was not in accordance with law."

"The board's application of the 'incidental to' and 'complementary to' language from the PTO policy statement instead of the statutory definition renders superfluous the limits Congress placed on the definition of a CBM patent," the court wrote.

Justin Oliver of Fitzpatrick Cella Harper & Scinto said the ruling isn't necessarily a game changer, but it does to some extent pull back the scope of what is a permissible challenge under the covered business method review program.

"The Federal Circuit has been deferential to the board on most issues, and this is one where they finally, on at least the definition of what's covered by a CBM, pulled back a little bit," Oliver said. "I think that's just the evolution of the practice."

Merck & Cie v. Gnosis SpA

At the same time, the Federal Circuit made PTAB decisions more difficult to overturn in April, when it ruled that the board's decision must be reviewed with deference on appeal.

The holding came in a denial of a petition for en banc rehearing of a panel decision upholding the PTAB's invalidation of four Merck dietary supplement patents. The court held that the law requires the use of the "substantial evidence" standard of review, which gives deference to the PTAB's findings.

Merck had argued the court should instead use the "clear error" standard used for district court decisions, which are given greater scrutiny. The Supreme Court declined in October to hear Merck's appeal, leaving the Federal Circuit's ruling in place.

"It's impactful in the sense that if the board rules against you on an obviousness case, or whatever it might be, then whatever factual findings the board made are going to be given deference by the Federal Circuit," said Ozzie Farres of Hunton & Williams LLP. "It's going to make it harder for the Federal Circuit to overturn."

Shaw Industries Group Inc. v. Automated Creel Systems Inc.

Since taking effect in 2012, AIA proceedings have become a popular avenue for companies to challenge patents that they have been sued for infringing. This March decision from the Federal Circuit made clear that there are instances where accused infringers can use AIA reviews without undermining their case in later litigation.

The case hinged on the estoppel provision of the AIA, which states that a petitioner in an AIA inter partes review is barred from later raising in litigation any ground of invalidity that it "raised or reasonably could have raised" during the review.

Prior to the Shaw decision, it was not clear whether the provision barred petitioners from using arguments in litigation that they raised in the petition but that the PTAB decided not to review. The Federal Circuit held that estoppel does not attach to grounds that the PTAB denies as redundant, keeping them available for litigation.

"I think it's nice to have some guidance from the Federal Circuit because from a petitioner's perspective, one important factor always is to consider the estoppel effect and when estoppel might attach in the event the petitioner loses in proceedings at the patent office," said Naveen Modi of Paul Hastings LLP.

Lori Gordon of Sterne Kessler Goldstein & Fox PLLC said the decision surprised a lot of people and "gave petitioners hope that estoppel wouldn't be broadly applied."

SAS Institute Inc. v. ComplementSoft LLC and Genzyme Therapeutic Products LP v. BioMarin Pharmaceutical Inc.

The Federal Circuit also addressed some of the procedural rights of parties before the board with a pair of decisions in June. In one case involving ComplementSoft LLC, the appeals court raised concerns because the definition of a key patent term that the PTAB used in its final decision varied significantly from how the board initially defined the phrase, when it agreed to examine the patent in an AIA review.

The court faulted the board for changing theories "midstream."

"It is difficult to imagine either party anticipating that already-interpreted terms were actually moving targets," the court 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."

Days later, the Federal Circuit ruled in a case involving Genzyme Therapeutic Products LP that companies challenging patents in AIA reviews can present additional evidence of invalidity after a review is instituted. Up to that point, it had been unclear whether evidence that was not included in the petition could be introduced later on in the proceedings. The court said that as long as the parties are notified and given a chance to respond, it was permissible.

"I think as a general rule it will work to the advantage of the petitioner because it does permit the trial to allow an expansion of the petition," Orrick Herrington & Sutcliffe LLP's Monte Cooper said of the Genzyme decision.

"As evidence comes in and as arguments are made in the briefing following the petition, you can

understand that the petitioner may realize that the way they thought they understood the patent owner would address the patent isn't the way that it came out in the petition," he said. "Therefore, the ability to expand the evidence to address the new arguments is of great importance to the petitioner."

In re: Magnum Oil Tools International Ltd.

The appeals court last summer also clarified the burden of proof in IPR proceedings, ruling the PTAB had improperly shifted the burden to the patent owner, Magnum Oil Tools International Ltd., to disprove that its patent was obvious.

On appeal, the U.S. Patent and Trademark Office took the position that when the board institutes review of a patent, it necessarily finds the challenger has demonstrated a reasonable likelihood of success. So, the USPTO reasoned, the burden shifts to the patent owner to prove its patent is not invalid.

The Federal Circuit soundly rejected that argument in its July decision, writing that the USPTO's view was "directly at odds with our precedent." The court, which said the burden of proof remained with the challenger, added that adopting the patent office's position would "introduce unnecessary confusion."

"When the patent office writ large took this position, it just begs the question: In how many petitions did the board actually operate that way, even if they weren't explicit when they said it?" said Cyrus Morton of Robins Kaplan LLP. "Going forward, it really shouldn't be an issue because the Federal Circuit has said, 'no, you have to follow the statute.'"

--Additional reporting by Ryan Davis. Editing by Christine Chun.