

## Chapter 15

### **Office-Federal Circuit Interface**

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## § 15:1 Overview

The United States Court of Appeals for the Federal Circuit (“Federal Circuit”) has jurisdiction to hear all appeals originating in the United States Patent and Trademark Office (“Office”)—either directly on appeal from the Office or indirectly on appeal of a district court review of an Office determination. Both before and after passage of the AIA, a party dissatisfied with a Board<sup>1</sup> decision has the right to appeal under 35 U.S.C. § 141. Sections 142 to 144 address procedural aspects (such as the notice of appeal), the Office’s interaction with the Federal Circuit, and the Office’s actions after the Federal Circuit decides the appeal.

Because the Federal Circuit ultimately has jurisdiction for all matters originating from the Office, all parties engaged in patent office litigation should have a clear understanding of the substantive and procedural law governing such appeals. This chapter first covers some basic information concerning jurisdiction, standards of review, the record on appeal, and the Office’s role in appeals. The chapter next addresses unique aspects of the types of proceedings from which an appeal may be taken. Third, the authors present an overview of practice before the Federal Circuit. The chapter concludes with recent statistics and insight readers can use to better frame their arguments during proceedings before the Office and on appeal to the Federal Circuit.

## § 15:2 Subject-matter jurisdiction

The Federal Circuit has nationwide jurisdiction in many

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**[Section 15:1]**

<sup>1</sup>In this chapter, we refer to both the Board of Patent Appeals and Interferences (pre-AIA) and the Patent and Trial Appeal Board (post-AIA) as the “Board,” unless a distinction is warranted.

subject matter areas outside patent law, including international trade, government contracts, veteran's benefits, among others. Such appeals originate from all federal district courts, the Court of Federal Claims, the Court of International Trade, the Court of Appeals for Veterans Claims, as well as other federal agencies such as the Office, the International Trade Commission ("ITC"), the Merit Systems Protection Board, the Government Accountability Office Personnel Appeals Board, the Department of Justice Bureau of Justice Assistance, and the Board of Contract Appeals.

For contested cases before the Office, the Federal Circuit has exclusive jurisdiction based on 28 U.S.C. § 1295 and 35 U.S.C. § 141, which empower the Court to hear appeals from (i) original prosecution; (ii) patent reexaminations; (iii) interferences; (iv) derivation proceedings; and (v) post-grant proceedings under the AIA. This fourth category includes appeals from *inter partes* review, covered business method review, and post-grant review proceedings. Under Section 1295, the Federal Circuit also has jurisdiction over Section 145 and 146 actions.<sup>1</sup>

In 2011, only about 45% of the appeals filed were intellectual property cases: 33% were patent cases from the district courts, 9% were patent cases from the Office, 2% were trademark cases from the Office, and 1% were patent cases from the ITC.<sup>2</sup> Now, in 2016, the Federal Circuit is seeing the full impact of the AIA. Its slate of intellectual property cases has increased from 45% to 62%. Within that 62%, most of the growth came from patent appeals originating from the Office—an increase from 9% to 24%, or nearly a full quarter of its total workload. As discussed in § 15:26, appeals from post-grant proceedings under the AIA account for most of that increase.

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**[Section 15:2]**

<sup>1</sup>*Biogen MA, Inc. v. Japanese Foundation for Cancer Research*, 785 F.3d 648, 656, 114 U.S.P.Q.2d 1669 (Fed. Cir. 2015), cert. denied, 136 S. Ct. 1450, 194 L. Ed. 2d 550 (2016) (holding that for interferences declared after September 15, 2012 the AIA only authorizes pre-AIA § 141 review and has foreclosed pre-AIA § 146 review in a district court).

<sup>2</sup>Federal Circuit statistics are taken from the court's website at <http://www.Office.uscourts.gov>.

**§ 15:3 Issues common to all appeals taken from Office proceedings**

Below we discuss several issues that are common to all appeals taken from proceedings before the Office. First, we discuss standards of review for issues that are purely legal, issues that are purely factual, and issues that are mixed questions of fact and law. We also discuss the record on appeal (including the ability to supplement the record) and the Office's role in any appeal.

**§ 15:4 Issues common to all appeals taken from Office proceedings—Standard of review**

A clear understanding of the applicable standard of review for each issue appealed is crucial to effective appellate advocacy. Below we discuss key and exemplary cases establishing the Federal Circuit's standards of review. We then briefly discuss the implications.

**§ 15:5 Issues common to all appeals taken from Office proceedings—Standard of review—Key cases that establish the Federal Circuit's standards of review**

Like all courts of appeal, the Federal Circuit reviews questions of law *de novo*.<sup>1</sup> This standard of review applies to many issues of fundamental importance in the field of patent law, among them claim construction and the ultimate determination of obviousness.

The Federal Circuit reviews factual findings for substantial evidence.<sup>2</sup> But this was not always the case. In *Zurko*, the Office upheld an examiner's decision that the claims at issue were obvious. The Office determined that the prior art either expressly or inherently taught the claimed invention. On appeal, the Federal Circuit reversed on grounds that the Board's factual findings were "clearly erroneous."<sup>3</sup> The Office petitioned the Federal Circuit to rehear the case en banc. During

**[Section 15:5]**

<sup>1</sup>*In re Kahn*, 441 F.3d 977, 985, 78 U.S.P.Q.2d 1329 (Fed. Cir. 2006).

<sup>2</sup>*Dickinson v. Zurko*, 527 U.S. 150, 119 S. Ct. 1816, 144 L. Ed. 2d 143, 50 U.S.P.Q.2d 1930 (1999).

<sup>3</sup>*In re Zurko*, 111 F.3d 887, 42 U.S.P.Q.2d 1476 (Fed. Cir. 1997), on reh'g in banc, 142 F.3d 1447, 46 U.S.P.Q.2d 1691 (Fed. Cir. 1998), judgment

en banc rehearing, the Office argued that the Federal Circuit's review of its decisions must be in accordance with the Administrative Procedures Act ("APA"). Under the APA, courts review agency decisions under either the "arbitrary and capricious" standard or the "substantial evidence" standard. Both are understood to be more deferential than the "clearly erroneous" standard. The Federal Circuit took the case en banc. In its en banc decision, authored by then Chief Judge Mayer, the Federal Circuit upheld its use of the "clearly erroneous" standard, relying on a provision of the APA stating that the APA did "not limit or repeal additional requirements imposed by statute or otherwise recognized by law."<sup>4</sup> The Federal Circuit reasoned that when Congress enacted the APA in 1946, district courts applied the "clearly erroneous" standard to Office determinations. Moreover, since the creation of the Federal Circuit in 1982, the Court consistently applied the "clearly erroneous" standard when reviewing the Board's factual findings.<sup>5</sup>

The Office sought Supreme Court review. In a 6-3 decision, the Supreme Court reversed the Federal Circuit's en banc judgment and remanded the case for further proceedings. The Supreme Court held that the Federal Circuit's review of Office determinations must be based on the APA. It reasoned that the APA was designed to "bring uniformity to a field full of variation and diversity" in review of agency decision.<sup>6</sup> It stated that any exceptions to that rule must be clearly established and observed that the Federal Circuit's support for its exception was not clear. It also rejected a number of policy considerations supporting the Federal Circuit's en banc decision.

While the Supreme Court embraced the APA standards of review in its *Zurko* decision, the high court did not resolve

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rev'd, 527 U.S. 150, 119 S. Ct. 1816, 144 L. Ed. 2d 143, 50 U.S.P.Q.2d 1930 (1999).

<sup>4</sup>*In re Zurko*, 142 F.3d 1447, 1452, 46 U.S.P.Q.2d 1691 (Fed. Cir. 1998), judgment rev'd, 527 U.S. 150, 119 S. Ct. 1816, 144 L. Ed. 2d 143, 50 U.S.P.Q.2d 1930 (1999) (citing APA § 559).

<sup>5</sup>*In re Zurko*, 142 F.3d 1447, 46 U.S.P.Q.2d 1691 (Fed. Cir. 1998), judgment rev'd, 527 U.S. 150, 119 S. Ct. 1816, 144 L. Ed. 2d 143, 50 U.S.P.Q.2d 1930 (1999).

<sup>6</sup>*Dickinson v. Zurko*, 527 U.S. 150, 119 S. Ct. 1816, 144 L. Ed. 2d 143, 50 U.S.P.Q.2d 1930 (1999).

whether the appropriate standard for reviewing the Office's fact findings was the "arbitrary and capricious" or "substantial evidence" standard; the former being considered more deferential than the latter. The Federal Circuit resolved this question in *In re Gartside*, holding that factual findings by the Office are reviewed for "substantial evidence" under § 706 of the APA. Writing for the court, Judge Lourie explained that the "arbitrary and capricious" standard was a highly deferential "default" standard appropriate only where the "substantial evidence" test is not appropriate. Because the statute requires the Federal Circuit to review Board decisions "on the record" and "the Board's decision must be justified within the four corners of that record," the "substantial evidence" standard of review was appropriate.<sup>7</sup> Other Board determinations that arise from specific discretionary powers, such as a decision to resolve issues of patentability not put at issue by the parties, are reviewed for an "abuse of discretion."<sup>8</sup>

Thus, the Federal Circuit reviews Office fact findings for "substantial evidence." The substantial evidence standard "asks whether a reasonable fact finder could have arrived at the agency's decision."<sup>9</sup> Substantial evidence is "more than a mere scintilla," it is "such relevant evidence as a reasonable mind might accept as adequate to support a conclusion," and "[m]ere uncorroborated hearsay or rumor does not constitute substantial evidence."<sup>10</sup>

In decisions since *Zurko* and *In re Gartside*, the Federal Circuit has clarified the parameters of its appellate review in various other contexts. For example, in the interference case of *Singh v. Brake*, the Court concluded that it should vacate and remand where the Board's key findings on the issue of priority of invention were not supported by substantial evidence.<sup>11</sup> The Court has also articulated that the "substantial evidence" standard "does not relieve the agency of its obliga-

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<sup>7</sup>*In re Gartside*, 203 F.3d 1305, 53 U.S.P.Q.2d 1769 (Fed. Cir. 2000).

<sup>8</sup>*In re Gartside*, 203 F.3d at 1315 (analyzing 5 U.S.C. § 135(a), which provided that the Board "may determine questions of patentability" during an interference).

<sup>9</sup>*In re Gartside*, 203 F.3d at 1312.

<sup>10</sup>*Consolidated Edison Co. of New York v. N.L.R.B.*, 305 U.S. 197, 229–30, 59 S. Ct. 206, 83 L. Ed. 126, 3 L.R.R.M. (BNA) 645, 1 Lab. Cas. (CCH) P 17038 (1938).

<sup>11</sup>*Singh v. Brake*, 317 F.3d 1334, 65 U.S.P.Q.2d 1641 (Fed. Cir. 2003).

tion to develop an evidentiary basis for its findings,” explaining that, “[t]o the contrary, the [APA] reinforces this obligation.”<sup>12</sup> But an appellant must do more than simply show error by the Office to obtain relief.<sup>13</sup> The appellant must show that the Office’s error was harmful or prejudicial.<sup>14</sup>

The Federal Circuit recently considered the applicability of the substantial evidence standard of review to post-grant proceedings. In a precedential order denying rehearing en banc in *Merck & Cie v. Gnosis S.P.A.*, the Court explained that while “concerns” regarding whether a “more searching” standard of review may be justified in the adjudicatory context of post-grant proceedings, “[t]his court is bound by binding Supreme Court precedent—*Dickinson v. Zurko*, 527 U.S. 150, 119 S.Ct. 1816, 144 L.Ed.2d 143 (1999)—and this court’s own—*In re Gartside*, 203 F.3d 1305 (Fed. Cir. 2000)—to apply the substantial evidence standard of review to factual findings by the Board.”<sup>15</sup> Thus, it is generally resolved that the substantial evidence standard, and not the clear error standard, applies to the Board’s fact findings in post-grant proceedings.

### § 15:6 Issues common to all appeals taken from Office proceedings—Standard of review—Questions of law and fact

The standard of review for claim construction has become a somewhat controversial topic in recent years.<sup>1</sup> This situation culminated with scrutiny by the Supreme Court in 2015. In *Teva Pharmaceuticals U.S.A., Inc. v. Sandoz, Inc.*, the Supreme Court clarified that while the ultimate construction of a claim

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<sup>12</sup>*In re Sang Su Lee*, 277 F.3d 1338, 61 U.S.P.Q.2d 1430 (Fed. Cir. 2002).

<sup>13</sup>*In re Chapman*, 595 F.3d 1330, 93 U.S.P.Q.2d 1713 (Fed. Cir. 2010).

<sup>14</sup>*Consolidated Edison Co. of New York v. N.L.R.B.*, 305 U.S. 197, 229, 59 S. Ct. 206, 83 L. Ed. 126, 3 L.R.R.M. (BNA) 645, 1 Lab. Cas. (CCH) P 17038 (1938).

<sup>15</sup>*Merck & Cie v. Gnosis S.P.A.*, 820 F.3d 432, 433 (Fed. Cir. 2016).

#### [Section 15:6]

<sup>1</sup>*Lighting Ballast Control LLC v. Philips Electronics North America Corp.*, 744 F.3d 1272, 109 U.S.P.Q.2d 1969 (Fed. Cir. 2014) (abrogated by, *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 113 U.S.P. Q.2d 1269 (2015)) and petition for certiorari filed, 135 S. Ct. 1173, 191 L. Ed. 2d 130 (2015) (providing the Federal Circuit’s extensive analysis of the issue resolved in *Teva*).

is reviewed de novo, any underlying factual determinations involving extrinsic evidence are owed deference.<sup>2</sup> Under the framework expounded in *Teva*, the Federal Circuit reviews “the Board’s ultimate claim constructions de novo and its underlying factual determinations involving extrinsic evidence for substantial evidence.”<sup>3</sup> Beyond this, the Federal Circuit sitting en banc in *Apple Inc. v. Samsung Elecs. Co.* recently clarified that “the appellate court cannot rely on extra-record extrinsic evidence in the first instance or make factual findings about what such extrinsic evidence suggests about the plain meaning of a claim term in the art at the relevant time.”<sup>4</sup> In sum, while claim construction ultimately remains a question of law, practitioners must consider the extent to which the construing tribunal relied on extrinsic evidence.

Similarly, obviousness is a question of law resting on underlying fact findings.<sup>5</sup> For example, the scope and content of the prior art is a question of fact.<sup>6</sup> Whether a person of ordinary skill in the art would have had a reason to combine the references is also a question of fact.<sup>7</sup> The presence or absence of a reasonable expectation of success is a question of fact.<sup>8</sup> As is the level of ordinary skill in the art at the time of invention.<sup>9</sup> Similarly, consideration of objective indicia of nonobviousness is regarded as a fact finding exercise, as is whether the requisite nexus exists.<sup>10</sup> In sum, while some ambiguity surrounds whether any deference is owed when the Court considers the *sufficiency* of the evidence presented, the

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<sup>2</sup>*Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 113 U.S.P.Q.2d 1269 (2015).

<sup>3</sup>*Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292, 1297, 115 U.S.P.Q.2d 1198 (Fed. Cir. 2015).

<sup>4</sup>*Apple Inc. v. Samsung Electronics Co., Ltd.*, 839 F.3d 1034, 1039 (Fed. Cir. 2016) (en banc).

<sup>5</sup>*Kinetic Concepts, Inc. v. Smith & Nephew, Inc.*, 688 F.3d 1342, 1356–57, 104 U.S.P.Q.2d 1001 (Fed. Cir. 2012).

<sup>6</sup>*Merck & Cie v. Gnosis S.P.A.*, 808 F.3d 829, 833, 117 U.S.P.Q.2d 1393 (Fed. Cir. 2015), cert. denied, 137 S. Ct. 297 (2016).

<sup>7</sup>*Merck & Cie*, 808 F.3d at 833.

<sup>8</sup>*Intelligent Bio-Systems, Inc. v. Illumina Cambridge Ltd.*, 821 F.3d 1359, 1366–67, 119 U.S.P.Q.2d 1171 (Fed. Cir. 2016).

<sup>9</sup>*Merck & Cie*, 808 F.3d at 833.

<sup>10</sup>*Nike, Inc. v. Adidas AG*, 812 F.3d 1326, 1340, 117 U.S.P.Q.2d 1967 (Fed. Cir. 2016).



Board’s findings of fact undergirding a conclusion of obviousness are reviewed for substantial evidence.<sup>11</sup> These findings are distinct from the ultimate legal conclusion of obviousness, which the Court reviews de novo. Such a review may examine whether the Board properly considered all of the Graham factors and faithfully applied the law.<sup>12</sup>

We provide a non-exhaustive list of certain “ultimate questions of law” and “questions of fact” that typically arise in patent cases appealed from the Office to the Federal Circuit:

Issue	Standard of Review	Exemplary case
Claim Construction	Question of law	Apple Inc. v. Samsung Electronics Co., Ltd., 839 F.3d 1034, 1039 (Fed. Cir. 2016) (en banc).
Public use under 35 U.S.C. § 102(b)	Question of law	Delano Farms Co. v. California Table Grape Com’n, 778 F.3d 1243, 1247, 113 U.S.P.Q.2d 1420 (Fed. Cir. 2015)

<sup>11</sup>Apple Inc. v. Samsung Electronics Co., Ltd., 839 F.3d 1034, 1075 (Fed. Cir. 2016) (J. Dyk, dissenting) (advocating that the sufficiency of a purported motivation to combine is a matter of law, not fact) (citing KSR Intern. Co. v. Teleflex Inc., 550 U.S. 398, 424, 427, 127 S. Ct. 1727, 167 L. Ed. 2d 705, 82 U.S.P.Q.2d 1385 (2007)).

<sup>12</sup>See, e.g., Arendi S.A.R.L. v. Apple Inc., 832 F.3d 1355, 119 U.S.P.Q.2d 1822 (Fed. Cir. 2016), petition for certiorari filed (U.S. Nov. 8, 2016) (reversing the Board’s obviousness determination on grounds that “[t]he single question at issue here is whether the Board misused ‘common sense’ to conclude that it would have been obvious to supply a missing limitation . . . .”); Nike, Inc. v. Adidas AG, 812 F.3d 1326, 1339, 117 U.S.P.Q.2d 1967 (Fed. Cir. 2016) (vacating and remanding the Board’s denial of a motion to amend because “we conclude that the Board should have explicitly acknowledged and evaluated Nike’s secondary considerations evidence.”)

<b>Issue</b>	<b>Standard of Review</b>	<b>Exemplary case</b>
On sale bar under 35 U.S.C. § 102(b)	Question of law	Medicines Company v. Hospira, Inc., 827 F.3d 1363, 1371, 119 U.S.P.Q.2d 1329 (Fed. Cir. 2016) (en banc).
Priority of invention under 35 U.S.C.A. § 102(g)	Question of law	Fleming v. Escort Inc., 774 F.3d 1371, 1378, 113 U.S.P.Q.2d 1426 (Fed. Cir. 2014).
Obviousness under 35 U.S.C. § 103	Question of law	Kinetic Concepts, Inc. v. Smith & Nephew, Inc., 688 F.3d 1342, 1356–57, 104 U.S.P.Q.2d 1001 (Fed. Cir. 2012).
Enablement under 35 U.S.C. § 112	Question of law	Sitrick v. Dreamworks, LLC, 516 F.3d 993, 999, 85 U.S.P.Q.2d 1826 (Fed. Cir. 2008).
Indefiniteness under 35 U.S.C. § 112	Question of law	Dow Chemical Co. v. Nova Chemicals Corp. (Canada), 803 F.3d 620, 625, 115 U.S.P.Q.2d 2024 (Fed. Cir. 2015), cert. denied, 136 S. Ct. 2452, 195 L. Ed. 2d 264 (2016).
Obviousness-type Double Patenting	Question of law	Pfizer, Inc. v. Teva Pharmaceuticals USA, Inc., 518 F.3d 1353, 1363, 86 U.S.P.Q.2d 1001 (Fed. Cir. 2008).

Issue	Standard of Review	Exemplary case
Statutory Double Patenting	Question of law	Perricone v. Medicis Pharmaceutical Corp., 432 F.3d 1368, 1372, 77 U.S.P.Q.2d 1321 (Fed. Cir. 2005).
Whether claim language should be interpreted as means plus function under 35 U.S.C. § 112 ¶ 6	Question of law	Williamson v. Citrix Online, LLC, 792 F.3d 1339, 1346, 115 U.S.P. Q.2d 1105 (Fed. Cir. 2015) (en banc).
Determination of claimed function and corresponding structure under 35 U.S.C. § 112 ¶ 6	Question of law	TecSec, Inc. v. International Business Machines Corp., 731 F.3d 1336, 1340, 108 U.S.P. Q.2d 1429 (Fed. Cir. 2013), cert. denied, 134 S. Ct. 2698, 189 L. Ed. 2d 756 (2014).
Experimental Use Doctrine	Question of law	Madey v. Duke University, 307 F.3d 1351, 1357–58, 170 Ed. Law Rep. 164, 64 U.S.P.Q.2d 1737 (Fed. Cir. 2002).
Inventorship, Reduction to Practice	Question of law	Henkel Corp. v. Procter & Gamble Co., 485 F.3d 1370, 1374, 82 U.S.P.Q.2d 1784 (Fed. Cir. 2007).

<b>Issue</b>	<b>Standard of Review</b>	<b>Exemplary case</b>
Utility under 35 U.S.C. § 101	Question of fact	In re Fisher, 421 F.3d 1365, 1369, 76 U.S.P.Q.2d 1225 (Fed. Cir. 2005).
Anticipation under 35 U.S.C. § 102(a), (e), (g)	Question of fact	Blue Calypso, LLC v. Groupon, Inc., 815 F.3d 1331, 1341, 118 U.S.P.Q.2d 1035 (Fed. Cir. 2016).
Written description Requirement under 35 U.S.C. § 112	Question of fact	Ariad Pharmaceuticals, Inc. v. Eli Lilly and Co., 598 F.3d 1336, 1351–52, 94 U.S.P.Q.2d 1161 (Fed. Cir. 2010) (en banc).
The level of skill in the art	Question of fact	Merck & Cie v. Gnosis S.P.A., 808 F.3d 829, 833, 117 U.S.P.Q.2d 1393 (Fed. Cir. 2015), cert. denied, 137 S. Ct. 297 (2016).

**§ 15:7 Issues common to all appeals taken from Office proceedings—Standard of review—Exemplary cases appealed from Office**

In *In re Kao*, the Federal Circuit reviewed the Board’s decision finding that the applicant’s claims were obvious.<sup>1</sup> The claims at issue were directed to time-released pain relievers. The Board’s obviousness conclusion hinged on its finding that a prior art controlled-release formulation using a differ-

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[Section 15:7]

<sup>1</sup>In *re Huai-Hung Kao*, 639 F.3d 1057, 98 U.S.P.Q.2d 1799 (Fed. Cir. 2011).

ent active ingredient would dissolve at a rate that fell within the scope of the pending claims. The applicant argued on appeal that, not only would a change of active ingredient affect the dissolution rate, but that the Board had speculated that dissolution rates as measured by the “basket method” in the applied reference could be correlated to rates measured by the “paddle method” rates stated in the claims.<sup>2</sup> The Board cited no evidence contradicting an expert’s statement that there is no general correlation between the paddle and basket methods. Rather, to correlate the two methods of measuring dissolution rates, the Board relied on an exhibit showing the dissolution rates of a commercial embodiment of the claimed invention as measured by both methods. The Board concluded that dissolution rates measured by the basket method were 1.3 times those measured by the paddle method for the commercial embodiment, and assumed that the same relationship would hold for measurements of the prior art formulation.<sup>3</sup>

In its decision, the Federal Circuit found substantial evidence supporting some of the Board’s factual findings but not others.<sup>4</sup> With respect those findings that were not supported by substantial evidence, the Federal Circuit held that the “Board relied on erroneous reasoning in making the factual determinations that underlie its conclusion” of obviousness.<sup>5</sup> The Court observed that because the Board cited no evidence contradicting the expert’s statement regarding the lack of a general correlation between the paddle and basket methods, the Board’s “conjecture” correlating the two methods was unsupported.<sup>6</sup> Rather than reversing and allowing the claims to issue, however, the Court vacated and remanded to allow the Board to “consider whether, under the proper analysis, the evidence of record is sufficient to maintain an obviousness rejection” noting that “the evidence

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<sup>2</sup>*In re Huai-Hung Kao*, 639 F.3d at 1065–1066.

<sup>3</sup>*In re Huai-Hung Kao*, 639 F.3d at 1067.

<sup>4</sup>*In re Huai-Hung Kao*, 639 F.3d at 1070–1074.

<sup>5</sup>*In re Huai-Hung Kao*, 639 F.3d at 1065.

<sup>6</sup>*In re Huai-Hung Kao*, 639 F.3d at 1065.

of record may yet satisfy the required substantial evidence standard.”<sup>7</sup>

Additionally, merely showing that the Board erred is not sufficient. The appellant must demonstrate that the error is prejudicial. For example, in *In re Chapman*, the applicant argued that the Board committed three factual errors in concluding that its claims directed to divalent antibody fragments were obvious.<sup>8</sup> On appeal, the Office conceded that the Board’s opinion included three erroneous findings of fact, but argued that all three were harmless.<sup>9</sup> In its opinion, the Federal Circuit confirmed that “[t]he judicial review provision of the APA includes a harmless error rule,” and that the burden of showing an error is harmful falls on the appellant.<sup>10</sup> The Court went on to agree with the applicant that two of the Board’s errors were harmful, as both showed that the Board misunderstood the prior art and its teachings regarding antibody fragments. Nevertheless, this success on appeal would be short-lived. In describing the Board’s error, the Court again provided the agency with a roadmap for reaching a proper determination of obviousness on remand:<sup>11</sup>

On remand, the Board need only revisit its conclusion of obviousness in light of a corrected understanding of Gonzalez. The Board is in no way precluded from, and indeed may be correct in, finding the claims to be obvious, particularly in the light of Gonzalez’s disclosure of joining two antibody fragments together with a polymer to make a dumbbell-shaped structure.

### § 15:8 Issues common to all appeals taken from Office proceedings—Standard of review—Impact

The net result is that the Federal Circuit gives the Board a significant amount of discretion in the context of assessing patentability. A study published in 2011 found that post-*Zurko*

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<sup>7</sup>*In re Huai-Hung Kao*, 639 F.3d at 1065–1066.

<sup>8</sup>*In re Chapman*, 595 F.3d 1330, 93 U.S.P.Q.2d 1713 (Fed. Cir. 2010).

<sup>9</sup>*In re Chapman*, 595 F.3d at 1338.

<sup>10</sup>*In re Chapman*, 595 F.3d at 1338 (citing 5 U.S.C. § 706).

<sup>11</sup>*In re Chapman*, 595 F.3d at 1340 (vacating and remanding, but awarding no costs).

the Court affirmed the Board in 86.4% of all patent cases.<sup>1</sup> Of the 13.6% of all patent cases that were not affirmed, many were vacated and remanded rather than reversed, thereby giving the Office further opportunities to identify substantial evidence supporting its conclusion.<sup>2</sup> A recent survey of reexamination appeals decided by the Federal Circuit revealed that the Court affirmed the Board in 94% of ex parte reexamination appeals and in 70% of inter partes reexamination appeals.<sup>3</sup> The affirmance rate for post-grant proceedings under the AIA is discussed in § 15:26.

### § 15:9 Issues common to all appeals taken from Office proceedings—Record on appeal

The record on any appeal from the Office is closed and statutorily limited to the Office's written record.<sup>1</sup> When an appeal to the Federal Circuit is taken, the Office transmits a certified list of the documents comprising the record before the agency to the Court.<sup>2</sup> The Federal Circuit may request that the Director forward the original or certified copies of such documents during the pendency of the appeal. The Board's opinion accompanies the record, and must include sufficient explanations of the Board's conclusion to allow the Federal Circuit to "verify readily whether those conclusions are indeed supported by 'substantial evidence' contained within the record."<sup>3</sup>

The record on appeal is considered closed to the extent that "the Board's decision must be justified within the four

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#### [Section 15:8]

<sup>1</sup>Jeffrey M. Samuels & Linda B. Samuels, *The Impact of Dickinson v. Zurko on Federal Circuit Review of USPTO Board Decisions: An Analytic and Empirical Analysis*, 20 FED. CIR. B.J. 665, 677 (June 2011).

<sup>2</sup>The study included cases through and including 2009.

<sup>3</sup>Sterne Kessler Federal Circuit Appeal Update (Mar. 4, 2016) (examining outcomes in all reexamination appeals to the Federal Circuit decided between January 1, 2011 to March 4, 2016, including 69 ex parte reexamination appeals and 96 inter partes reexamination appeals).

#### [Section 15:9]

<sup>1</sup>35 U.S.C. § 144.

<sup>2</sup>35 U.S.C. § 143.

<sup>3</sup>*In re Gartside*, 203 F.3d 1305, 1314, 53 U.S.P.Q.2d 1769 (Fed. Cir. 2000).

corners” of the record forwarded by the Office.<sup>4</sup> Indeed, the Federal Circuit “cannot look elsewhere to find justification for the Board’s decision.”<sup>5</sup> Consistent with appellate practice in other circuits, as well as the Federal Rules of Appellate Procedure, the Federal Circuit will not look to new evidence or references submitted for the first time in the appeal briefs or consider new arguments or grounds of unpatentability.<sup>6</sup> For example, the Office cannot proffer alternative references on appeal to “mend the Board’s faulty conclusion of obviousness.”<sup>7</sup>

### § 15:10 Issues common to all appeals taken from Office proceedings—Waiver

Principles of waiver apply to appeals from the Office to the Federal Circuit. As the Court has stated, “[a]bsent exceptional circumstances, we generally do not consider arguments that the applicant failed to present to the Board.”<sup>1</sup> Similarly, “[i]f a party fails to raise an argument before the trial court, or presents only a skeletal or undeveloped argument to the trial court, we may deem that argument waived on appeal.”<sup>2</sup> As one example, an applicant or patent owner cannot argue for the first time on appeal that a combination of references involves non-analogous art.<sup>3</sup>

In the context of post-grant proceedings, in one instance

<sup>4</sup>*In re Gartside*, 203 F.3d at 1314; see also *In re Watts*, 354 F.3d 1362, 1367, 69 U.S.P.Q.2d 1453 (Fed. Cir. 2004).

<sup>5</sup>*In re Gartside*, 203 F.3d at 1314.

<sup>6</sup>Donald S. Chisum, CHISUM ON PATENTS § 11.06 (Matthew Bender).

<sup>7</sup>*In re Zurko*, 258 F.3d 1379, 1385, 59 U.S.P.Q.2d 1693 (Fed. Cir. 2001) (*Dickson v. Zurko* on remand).

#### [Section 15:10]

<sup>1</sup>*In re Baxter Intern., Inc.*, 678 F.3d 1357, 102 U.S.P.Q.2d 1925 (Fed. Cir. 2012) (internal citations omitted); see also *In re Watts*, 354 F.3d 1362, 1367, 69 U.S.P.Q.2d 1453 (Fed. Cir. 2004); *In re Giacomini*, 612 F.3d 1380, 1383, 95 U.S.P.Q.2d 1698 (Fed. Cir. 2010); *Redline Detection, LLC v. Star Envirotech, Inc.*, 811 F.3d 435, 450, 117 U.S.P.Q.2d 1410 (Fed. Cir. 2015); *Synopsys, Inc. v. Mentor Graphics Corp.*, 814 F.3d 1309, 1321, 117 U.S.P.Q.2d 1753 (Fed. Cir. 2016) (finding no error in the Board’s finding of waiver under 37 C.F.R. § 42.23(b) for failure to raise in the petition).

<sup>2</sup>*Fresenius USA, Inc. v. Baxter Intern., Inc.*, 582 F.3d 1288, 1296, 92 U.S.P.Q.2d 1163 (Fed. Cir. 2009).

<sup>3</sup>*In re Schreiber*, 128 F.3d 1473, 1479, 44 U.S.P.Q.2d 1429 (Fed. Cir. 1997).



the Federal Circuit concluded that the petitioner did not waive the opportunity to establish priority entitlement for a Section 102(e) reference where the petitioner did not do so initially in its petition.<sup>4</sup> The Court reasoned that the petitioner did not have the burden of producing evidence to prove priority entitlement until after the patent owner chose to argue that its claims were reduced to practice at an earlier date.<sup>5</sup> In other words, because prior art status was not an issue when the petition was filed, petitioner did not waive the opportunity to come forward with evidence in support of priority entitlement. The Court has also found, however, that if a party only “raised [the] argument in a few scattered sentences at the oral hearing below,” then the party has waived that argument for purposes of appeal.<sup>6</sup>

Although the Federal Circuit does not typically depart from this policy, the Court still may exercise its discretion to address an issue for the first time on appeal in compelling circumstances, such as to prevent a manifest injustice or when there has been a change in the law.<sup>7</sup> Also, in at least some situations, a party adequately preserves an issue for appeal by raising the issue in a manner sufficient to “put the Board on notice” as to what the party is advocating.<sup>8</sup>

Parties must also consider waiver during the appeal process itself. A notice of appeal should be crafted to put the Office and any adversary generally on notice of the grounds for appeal.<sup>9</sup> Being inclusive gives parties more flexibility during briefing. Principles of waiver apply during the briefing stage as well, such that issues not addressed in a party’s opening

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<sup>4</sup>*Dynamic Drinkware, LLC v. National Graphics, Inc.*, 800 F.3d 1375, 1381, 116 U.S.P.Q.2d 1045 (Fed. Cir. 2015).

<sup>5</sup>*Dynamic Drinkware*, 800 F.3d at 1381.

<sup>6</sup>*MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284, 1294, 117 U.S.P.Q.2d 1284 (Fed. Cir. 2015), cert. denied, 137 S. Ct. 292 (2016).

<sup>7</sup>See, e.g., *Interactive Gift Exp., Inc. v. Compuserve Inc.*, 256 F.3d 1323, 1344–45, 59 U.S.P.Q.2d 1401 (Fed. Cir. 2001).

<sup>8</sup>See *Nike, Inc. v. Adidas AG*, 812 F.3d 1326, 1342, 117 U.S.P.Q.2d 1967 (Fed. Cir. 2016).

<sup>9</sup>37 C.F.R. § 90.2(a)(3)(ii) (requiring that notices of appeal to include “sufficient information to allow the Director to determine whether to exercise the right to intervene”).

brief are waived and review may not be sought for an issue raised for the first time in a reply brief.<sup>10</sup>

### § 15:11 Issues common to all appeals taken from Office proceedings—Office’s role in the appeal

Under 35 U.S.C. § 141 any party involved in a contested proceeding has a statutory right to appeal an adverse Board decision to the Federal Circuit.<sup>1</sup> The parties during the underlying proceeding are assumed to be the parties on appeal. The Office’s regulations govern notices of appeal and cross-appeal.<sup>2</sup> In *ex parte* proceedings, the Office will be the opposing party on appeal to the Federal Circuit. The Office’s role in *ex parte* proceedings is to defend the Board’s decision. In *inter partes* proceedings, the Office has a statutory right to intervene.<sup>3</sup> In practice, the Office tends not to exercise this right unless the appeal involves an issue directly impacting the Office or implicates a policy concern. Internally, responsibility for appeals lies with the Solicitor’s Office.

To date, the Director has exercised her right to intervene in appeals challenging the Office’s implementation of the AIA, the scope of the Court’s appellate review, procedures in post-grant proceedings, practices alleged to violate due process, actions alleged to exceed the Office’s statutory authorization or violate the Constitution, as well as numerous other issues of first impression arising from enactment of the AIA. In contrast, the Office appears to have a hands-off approach with respect to appeals that challenge the Board’s application of the law to a particular set of facts. In sum, unless an *inter partes* appeal involves an issue likely to impact the Office, the Director seems inclined to let the parties argue the merits without input from the Solicitor’s Office. That said, if the

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<sup>10</sup>See *Becton Dickinson and Co. v. C.R. Bard, Inc.*, 922 F.2d 792, 800, 17 U.S.P.Q.2d 1097 (Fed. Cir. 1990) (“[A]n issue not raised by an appellant in its opening brief . . . is waived.”); see also *Novosteel SA v. U.S., Bethlehem Steel Corp.*, 284 F.3d 1261, 1274, 23 Int’l Trade Rep. (BNA) 2293 (Fed. Cir. 2002); *Blue Calypso, LLC v. Groupon, Inc.*, 815 F.3d 1331, 1340, 118 U.S.P.Q.2d 1035 (Fed. Cir. 2016) (finding argument waived for failure to raise it in the opening brief).

#### [Section 15:11]

<sup>1</sup>35 U.S.C. § 141(c).

<sup>2</sup>37 C.F.R. §§ 90.2, 90.3.

<sup>3</sup>35 U.S.C. § 143.

named appellee in a contested case withdraws, e.g., due to settlement, the Office has in almost every instance intervened to defend the Board's decision.

The Office is automatically named as a party in appeals from ex parte reexaminations and from ex parte prosecution matters. The Office used to be automatically named as a party in inter partes reexaminations, but the AIA altered the Office's role in such proceedings and now the default appellee in such appeals is the opposing party, as explained in § 15:14. Other unique aspects of Office's participation in appeals are discussed in §§ 15:12 to 15:17.

### **§ 15:12 Appeals from specific proceedings—Appeals from original prosecution and reissue application**

An applicant dissatisfied with the Board's decision during original prosecution may appeal either to the Federal Circuit under 35 U.S.C. § 141(a) or file a civil action in district court to obtain a patent under 35 U.S.C. § 145. The AIA did not affect the availability of these paths for obtaining judicial review of a determination by the Board in original prosecution. It did, however, replace the U.S. District Court of the District of Columbia with the U.S. District Court for the Eastern District of Virginia as the court with jurisdiction to hear the Section 145 civil action.<sup>1</sup>

Section 145 actions may offer the applicant a unique opportunity to enhance the record beyond what was considered by the Board. This issue received extensive treatment in *Kappos v. Hyatt*.<sup>2</sup> Before the Federal Circuit, the Office argued that the plaintiff in a Section 145 action may introduce new evidence before the district court only where that evidence could not reasonably have been provided to the Office in the first instance.<sup>3</sup> A divided en banc court disagreed, holding that there are no limitations—other than the Federal Rules of Evi-

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#### **[Section 15:12]**

<sup>1</sup>35 U.S.C. § 145 (pre-and post-AIA).

<sup>2</sup>*Kappos v. Hyatt*, 564 U.S. 1036, 131 S. Ct. 3064, 180 L. Ed. 2d 885 (2011).

<sup>3</sup>*Hyatt v. Kappos*, 625 F.3d 1320, 1326, 96 U.S.P.Q.2d 1841 (Fed. Cir. 2010), judgment aff'd and remanded, 132 S. Ct. 1690, 182 L. Ed. 2d 704, 102 U.S.P.Q.2d 1337 (2012).

dence and Civil Procedure—on the applicant’s right to introduce evidence during a Section 145 civil action.<sup>4</sup> Writing for the majority, Judge Moore reasoned that the language of the statute provides for a “remedy by civil action,” the plain meaning of which does not impose any unique limitations on available evidence. The Court observed that Section 145 provides for a civil action, not an appeal. And, as in any other civil action, the plaintiff is not limited to the record before the Board.<sup>5</sup> The trial court’s review of the facts, however, is subject to a dual standard. A court reviewing a case on the administrative record with no new evidence applies the usual APA standard of review, i.e., substantial evidence.<sup>6</sup> But if new evidence is introduced that conflicts with any related Office finding, the Federal Circuit would take into account the new evidence in addition to any evidence before the agency.<sup>7</sup>

Judge Dyk dissented. Joined by Judge Gajarsa, Judge Dyk reasoned that Section 145 actions are subject to the well-established administrative law standards of Section 706 of the APA, and thus judicial review is on the administrative record, which may be supplemented only when administrative procedures are inadequate.<sup>8</sup> Thus, Judge Dyk argued that the trial court should be able to allow live testimony, but not the new evidence at issue in Hyatt’s case.<sup>9</sup> Judge Dyk’s dissent warned that the majority’s rule “invites applicants to deliberately withhold evidence from the Office in favor of a more hospitable district court forum.”<sup>10</sup> Judge Newman concurred-in-part and dissented-in-part. She agreed with the majority’s position regarding new evidence, but stated that the trial court’s review should be *de novo*, even if the applicant submits no new evidence.<sup>11</sup>

The Supreme Court affirmed the Federal Circuit’s en banc decision, applying essentially the same reasoning. The

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<sup>4</sup>*Hyatt*, 625 F.3d at 1327.

<sup>5</sup>*Hyatt*, 625 F.3d at 1327.

<sup>6</sup>*Hyatt*, 625 F.3d at 1336.

<sup>7</sup>*Hyatt*, 625 F.3d at 1336–1337.

<sup>8</sup>*Hyatt*, 625 F.3d at 1342 (J. Dyk, dissenting).

<sup>9</sup>*Hyatt*, 625 F.3d at 1342.

<sup>10</sup>*Hyatt*, 625 F.3d at 1342.

<sup>11</sup>*Hyatt*, 625 F.3d at 1338–1341 (J. Newman, concurring-in-part, dissenting-in-part).

Supreme Court concluded that patent applicants face no evidentiary restrictions before the district court in a Section 145 action, other than those already imposed by the Federal Rules of Evidence and the Federal Rules of Civil Procedure.<sup>12</sup> When new evidence is presented on a disputed question, the trial court must make a de novo fact finding. The Supreme Court also agreed with the en banc majority that “the district court must assess the credibility of the new [evidence], determine how it comports with the existing administrative record, and decide what weight the new evidence deserves.”<sup>13</sup> The Supreme Court also specifically addressed the concerns shared by Judge Dyk and the Solicitor’s Office, stating that it would be unlikely that an applicant would “intentionally undermin[e] his claims before the Office on the speculative chance” that he could gain an advantage by presenting the evidence to a district court judge.<sup>14</sup>

In sum, Section 145 gives applicants an important option because additional evidence can be developed using the discovery powers of the district court, which are also not available before the Office during ex parte prosecution. For example, the civil action may be used to obtain and introduce new evidence of objective indicia of nonobviousness not before the Board.

### § 15:13 Appeals from specific proceedings—Appeals from ex parte reexamination

As with original prosecution, the AIA had little to no effect on judicial review available for decisions in ex parte reexamination. Under 35 U.S.C. § 306, a patent owner may appeal an adverse Board decision to the Federal Circuit under 35 U.S.C. §§ 141 to 144.

The AIA did, however, repair an inconsistency in the old statutes. The pre-AIA version of Section 306 stated that a patent owner could “seek court review under the provisions of

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<sup>12</sup>*Kappos v. Hyatt*, 132 S. Ct. 1690, 182 L. Ed. 2d 704, 102 U.S.P.Q.2d 1337 (2012).

<sup>13</sup>*Kappos*, 132 S. Ct. at 1700.

<sup>14</sup>*Kappos*, 132 S. Ct. at 1700.

sections 141 to 145.”<sup>1</sup> When Congress passed the American Inventors Protection Act of 1999, it amended Section 141 to provide that a patent owner in any reexamination may appeal an adverse Board decision to the Federal Circuit.<sup>2</sup> But Congress neglected to make a corresponding amendment in Section 306, leaving its cross-reference to Section 145 in tension with Section 141. The Office construed the statutes to imply that the 1999 amendments foreclosed Section 145 actions for ex parte reexamination.<sup>3</sup> The AIA removed any possibility of confusion in this regard by amending Section 306 to expressly state that a patent owner “may seek court review under the provisions of sections 141 to 144.”<sup>4</sup> This means that a patent owner in a reexamination may appeal an adverse decision only to the Federal Circuit, and does not have a statutory right to file a civil action.

#### § 15:14 Appeals from specific proceedings—Appeals from inter partes reexamination

As discussed in Chapter 27, under the AIA the Office will continue to entertain inter partes reexaminations filed before September 16, 2012, applying the reasonable likelihood of prevailing (“RLP”) standard for the final year. As further explained in Chapter 27, inter partes reexaminations filed before September 16, 2012, if ordered by the CRU, will continue as before the AIA went into effect, including appeals of inter partes reexaminations to the Federal Circuit.

The AIA provides that the prior version of Chapter 31 of Title 35 (i.e., §§ 311 to 318 and 319), continues to apply to inter partes reexaminations filed before September 16, 2012.<sup>1</sup> Thus, just as before the AIA under the prior version of Section 315, a third-party requester or a patent owner may appeal an adverse board decision to the Federal Circuit under the provi-

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#### [Section 15:13]

<sup>1</sup>35 U.S.C. § 306 (pre-AIA).

<sup>2</sup>35 U.S.C. § 141 (pre-AIA).

<sup>3</sup>37 C.F.R. § 1.303.

<sup>4</sup>See *Sigram Schindler Beteiligungsgesellschaft MBH v. Kappos*, 675 F. Supp. 2d 629, 632, 93 U.S.P.Q.2d 1752 (E.D. Va. 2009) (challenging the Office’s application of the 1999 amendments).

#### [Section 15:14]

<sup>1</sup>Pub. L. No. 112-29 § 6, 125 Stat. 305.

sions of 35 U.S.C. §§ 141 to 144.<sup>2</sup> It is worth noting for now that the AIA eliminated the prior version of Section 315 and added a new statutory provision, Section 319, which provides for the appeal of final decisions by the Board to the Federal Circuit by any party involved in the proceeding.

As with other appeals, the Federal Circuit reviews the Board's legal conclusions de novo and its findings of fact for substantial evidence.<sup>3</sup> Also, for the same reasons described above with respect to original prosecution, the Federal Circuit reviews the record before the Board.<sup>4</sup>

In the first inter partes reexamination cases, the Office's role during the appeal process was unclear. For example, in *Cooper Cameron Corp. v. Safoco, Inc.*, the third-party requester Cooper Cameron appealed the Board's final determination. On appeal, the Federal Circuit styled the case *Cooper Cameron Corp. v. Safoco, Inc.*, consistent with the normal practice in contested cases, including interferences. But the Solicitor's Office sent a letter to the Clerk of the Federal Circuit asking that the Office be named a party to the appeal, seeking to amend the official caption.<sup>5</sup> In support, then Solicitor Chen noted that such an appeal is conducted under the provisions of 35 U.S.C. § 143, which states that "[i]n any ex parte case or any reexamination case, the Director shall submit to the court in writing the grounds for the decision of the [Office], addressing all the issues involved in the appeal." The Federal Circuit granted the requested relief and allowed the Director to participate in the appeal; however, the Court did not amend the official caption. The Federal Circuit also ordered the Director to file the Office's brief after appellant Cooper Cameron's brief, but before appellee Safoco's brief, which was due 14 days after the Director's brief. Aside from evidencing the Office's view on its role in appeals from inter partes reexamination, the appeal is of little significance given that it was voluntarily dismissed a few weeks after the Court's order.

The Office's involvement in inter partes reexamination ap-

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<sup>2</sup>35 U.S.C.A. § 315 (pre-AIA).

<sup>3</sup>*In re NTP, Inc.*, 654 F.3d 1268, 1273, 99 U.S.P.Q.2d 1500 (Fed. Cir. 2011).

<sup>4</sup>*Id.* at 1273; see also § 15:9.

<sup>5</sup>*Cooper Cameron Corp. v. Safoco, Inc.*, 368 Fed. Appx. 108 (Fed. Cir. 2009).

peals remained unclear as more early cases made their way to the Federal Circuit. For example, in *Dietrich v. Kappos*, the patent owner Rolf Dietrich appealed the Board's decision sustaining the rejections against his claims. Counsel for Dietrich and the third-party requester Shimano filed entries of appearance with the Federal Circuit, who again initially styled the case "*Dietrich v. Shimano*." The Office filed an "amended notice forwarding certified list," which the Court evidently construed as an unopposed motion to reform the caption to name the Director as a party.<sup>6</sup> By this time, however, the parties had submitted their briefs. Thus, the Federal Circuit granted the Director 40 days to file its brief, and gave Dietrich the option to file an amended reply brief 14 days after the Office's brief.

This evolved into a seemingly regular practice where the Court assumed that the Office was a party in the appeal. For example, in *Lingamfelter v. Kappos*, the Federal Circuit named the Office as a party from the outset. Given that the Office was treated as a party from the beginning of the appeal, the briefing schedule operated as any multi-party appeal normally would. Specifically, appellant Lingamfelter filed an opening brief, appellees Graphic Packaging, MeadWestvaco, and the Office filed concurrent but separate appellee briefs, and Lingamfelter filed a reply brief. In turn, during oral argument all of the appellees, including the Office, divided their time.<sup>7</sup>

As of September 16, 2012, however, the Director is no longer a required appellee in appeals arising out of inter partes reexaminations in light of the AIA's changes to Section 143. As stated in a letter from then Solicitor Chen dated September 7, 2012, the AIA's judicial review scheme gives the Director the *option* to intervene in inter partes reexamination appeals filed at the Court on or after September 16, 2012.<sup>8</sup> Specifically, pre-AIA Section 143 affirmatively required the Office to

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<sup>6</sup>*Dietrich v. Kappos*, 423 Fed. Appx. 993 (Fed. Cir. 2011).

<sup>7</sup>*Lingamfelter v. Kappos*, 513 Fed. Appx. 934 (Fed. Cir. 2012) (splitting appellees' time during oral argument where the Office took 10 minutes and co-appellee third-party requesters took five); see also *PlaSmart, Inc. v. Kappos*, 482 Fed. Appx. 568 (Fed. Cir. 2012) (dividing time in the same way).

<sup>8</sup>U.S. PATENT & TRADEMARK OFFICE, Letter to Hon. Jan Horbaly from Solicitor Raymond T. Chen re Director Participation in Appeals of Inter Partes



participate as an appellee in every appeal from a reexamination. Section 7(c)(3) of the AIA amended the third sentence of Section 143 by striking and replacing it with an identical sentence omitting the words “or any reexamination case.” In its place, the AIA created a right of intervention to be exercised at the Director’s option in contested post-grant proceedings.

Because the language obligating the Office to participate in “an ex parte case” remains in revised Section 143, the Office is still the putative appellee in all appeals from ex parte prosecution and reexaminations, as it was before. With respect to whether the Office exercises its new right of intervention regularly in inter partes reexamination appeals, by and large, it has not. As suggested in Solicitor Chen’s 2012 letter: “This change in the law will allow the Director to avoid making unnecessary appearances in appeals to present arguments that would be redundant and duplicative with those made by the other partes.”<sup>9</sup> Indeed, the Director has intervened rarely in appeals from inter partes reexamination. And, in most of the instances where the Office intervened, the reason was to defend the Board’s decision after the opposing party withdrew from the appeal.

### § 15:15 Appeals from specific proceedings—Appeals from interferences

Appeals from interferences may be heard either in a special district court proceeding under Section 146 or by the Federal Circuit under Section 141. Interferences are inter partes or contested matters in which it is typical for both parties to receive at least one adverse ruling from the Office. In such a situation, either party may initiate an appeal under Section 141 or Section 146. Where one party appeals the interference to the Federal Circuit and the other to a district court, the statute provides that the Federal Circuit appeal will be dismissed in favor of the Section 146 action, so long as the Section 146 proceeding was noticed within 21 days of the Section 141 proceeding. In *Biogen MA, Inc. v. Japanese Found. for Cancer*

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Reexamination (Sept. 7, 2012), available at *Kim Laube v. Wahl Clipper Corp.*, No. 13-1048, Dkt. 8 at 5 (Nov. 21, 2012).

<sup>9</sup>U.S. PATENT & TRADEMARK OFFICE, Letter to Hon. Jan Horbaly from Solicitor Raymond T. Chen re Director Participation in Appeals of Inter Partes Reexamination (Sept. 7, 2012) at 6.

*Research*, the Court clarified that the AIA has foreclosed review in the district court under Section 146 for interferences declared after September 15, 2012.<sup>1</sup> Under the AIA, only Section 141 review is authorized for such interferences.

Like any other appeal under Section 141, the Federal Circuit's review of an interference under is limited to the record before the Office, with all legal issues reviewed de novo and all factual issues reviewed for substantial evidence. The same standards apply to the Federal Circuit's review of Section 146 actions, with the only difference being that additional facts may have been admitted into the record before the district court. The Director has the option to intervene in an appeal of an interference to the Federal Circuit and has done so, albeit very infrequently.<sup>2</sup>

#### **§ 15:16 Appeals from specific proceedings—Derivation appeals to the Federal Circuit**

The AIA essentially substituted “derivation” for “interference” throughout the patent statute, with few other changes. Accordingly, it stands to reason that the same principles underlying the Federal Circuit's review of interference appeals will apply to derivation appeals.

#### **§ 15:17 Appeals from specific proceedings—Post-grant proceedings appealed to the Federal Circuit**

Appeals from post-grant proceedings under the AIA are similar in most respects to other appeals from the Board. We focus below on some unique features of appeals from inter partes review (“IPR”), covered business method (“CBM”) review, and post-grant review (“PGR”).

#### **§ 15:18 Appeals from specific proceedings—Post-grant proceedings appealed to the Federal Circuit—Scope of Appeal**

The AIA provides a right of appeal from the Board's final

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#### **[Section 15:15]**

<sup>1</sup>*Biogen MA, Inc. v. Japanese Foundation for Cancer Research*, 785 F.3d 648, 656, 114 U.S.P.Q.2d 1669 (Fed. Cir. 2015), cert. denied, 136 S. Ct. 1450, 194 L. Ed. 2d 550 (2016).

<sup>2</sup>See, e.g., *Capon v. Eshhar*, 418 F.3d 1349, 76 U.S.P.Q.2d 1078 (Fed. Cir. 2005).

written decision to the Federal Circuit.<sup>1</sup> The statute also includes a bar against appealing the Board's decision on institution, i.e., whether or not to institute trial.<sup>2</sup> In a section entitled "No Appeal," the statute states that the Board's institution decision is "final and nonappealable."<sup>3</sup> While this bar does not foreclose all forms of judicial review, the courts have interpreted this language to preclude interlocutory appeal of institution decisions (whether granting or denying), as well as appeals of issues grounded "in a statute closely related to [the] decision to institute."<sup>4</sup> Practically speaking, this means that absent a Constitutional, jurisdictional, or APA challenge to an institution decision, parties are limited on appeal to raising issues considered as part of the post-institution trial record. Furthermore, any appeal must be taken from the final written decision and not from any intermediate determination.

The Federal Circuit has had several occasions to evaluate the scope of the statutory appeal bar in the context of appeals under Section 141, as well as on petitions for writ of mandamus.<sup>5</sup> The most visible and significant of these challenges involved a decision to institute inter partes review on

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**[Section 15:18]**

<sup>1</sup>35 U.S.C. § 141(c).

<sup>2</sup>35 U.S.C. §§ 314(d), 324(e).

<sup>3</sup>35 U.S.C. §§ 314(d), 324(e).

<sup>4</sup>See *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131, 2140–42, 195 L. Ed. 2d 423, 119 U.S.P.Q.2d 1065 (2016) (finding that a bar against interlocutory appeal is inherent such that an express bar against interlocutory appeal is "unnecessary"); see also *St. Jude Medical, Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 110 U.S.P.Q.2d 1777 (Fed. Cir. 2014) (expressly holding that the structure of the statute bars interlocutory appeal).

<sup>5</sup>*St. Jude Medical, Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 110 U.S.P.Q.2d 1777 (Fed. Cir. 2014); *In re Dominion Dealer Solutions, LLC*, 749 F.3d 1379, 110 U.S.P.Q.2d 1780 (Fed. Cir. 2014); *In re Procter & Gamble Co.*, 749 F.3d 1376, 110 U.S.P.Q.2d 1782 (Fed. Cir. 2014); *In re Cuozzo Speed Technologies, LLC*, 793 F.3d 1268, 115 U.S.P.Q.2d 1425 (Fed. Cir. 2015), cert. granted, 136 S. Ct. 890, 193 L. Ed. 2d 783 (2016) and aff'd, 136 S. Ct. 2131, 195 L. Ed. 2d 423, 119 U.S.P.Q.2d 1065 (2016) (holding that Section 314(d) review of decision by Board to institute inter partes review even after a final written decision); but see *Versata Development Group, Inc. v. SAP America, Inc.*, 793 F.3d 1306, 1311, 115 U.S.P.Q.2d 1681 (Fed. Cir. 2015), cert. denied, 136 S. Ct. 2510, 195 L. Ed. 2d 841 (2016) (holding that the Board's determination at the institution stage of whether

patent claims that petitioner (Garmin) had not specified in its petition. In *In re Cuozzo Speed Techs., LLC*, the patent owner (Cuozzo) appealed, among other things, the Board's decision to institute trial on the unspecified claims, asserting that Garmin failed to satisfy the requirement of Section 312 that a petition specify the grounds for review with "particularity."<sup>6</sup> Cuozzo raised these arguments on appeal from the Board's final written decision, arguing that the appeal bar of Section 314(d) did not apply to challenges raised on that posture. The Federal Circuit disagreed, holding that the overall statutory scheme and broad wording of Section 314(d) barred review of the institution decision, even on appeal from a final written decision. After the court denied Cuozzo's petition for rehearing en banc, Cuozzo petitioned for certiorari, which the Supreme Court granted.

On June 20, 2016, the Supreme Court affirmed the Federal Circuit's application of the statutory appeal bar by a vote of 7-2. Notwithstanding this outcome, the majority's opinion set forth certain exceptions. Specifically, in response to a concern expressed by dissenting Justices Alito and Sotomayor that an absolute bar would leave parties helpless to defend against agency "shenanigans," the majority noted that challenges under the APA are still available. The majority further clarified that its opinion does not go so far as to "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" or to "enable the agency to act outside its statutory limits."<sup>7</sup>

In sum, the primary takeaway from the Supreme Court's decision is that the Office has virtually unchecked discretion to decide issues that are "closely related to [the] decision to institute"—e.g., whether a petition is pleaded with sufficient particularity.<sup>8</sup> Nevertheless, the Office's discretion is not without jurisdictional or Constitutional limits when it comes

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a patent is eligible for covered business method review can be appealed because it implicates the Board's "ultimate invalidation authority").

<sup>6</sup>35 U.S.C. § 312.

<sup>7</sup>*Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131, 2141, 195 L. Ed. 2d 423, 119 U.S.P.Q.2d 1065 (2016).

<sup>8</sup>*Cuozzo*, 136 S. Ct. at 2140–42 (finding that a bar against interlocutory appeal is inherent such that an express bar is "unnecessary"); see also *St. Jude Medical, Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 110

to due process, statutory authorization, and compliance with the APA. Thus, parties whose challenges implicate these principles will have legitimate arguments as to why an institution decision is reviewable on appeal from a final written decision. In view of this, the Federal Circuit will be left to clarify, likely on a case by case basis, which challenges are barred and which are not.

Post-*Cuozzo* decisions provide at least some initial guidance on how the scope of appeal will be interpreted. In *Wi-Fi One, LLC v. Broadcom Corp.*, the Federal Circuit evaluated whether the Board's determination that a petition was not barred under 35 U.S.C. § 315(b) is reviewable on appeal in light of the exceptions announced in *Cuozzo*.<sup>9</sup> The same issue had previously been addressed in *Achates Reference Publishing, Inc. v. Apple Inc.*, decided prior to *Cuozzo*.<sup>10</sup> In *Achates*, the Court concluded that the one year filing bar of Section 315(b) was not reviewable on appeal from a final written decision. The panel in *Wi-Fi One* reaffirmed *Achates* by confirming that the Section 314(d) bar precluded review of whether the Board properly applied Section 315(b) on its way to instituting trial.<sup>11</sup> As this Chapter goes to press, the appellant in *Wi-Fi One* has requested en banc rehearing and the Federal Circuit has yet to decide *Click-to-Call* on remand.<sup>12</sup>

Similarly, in *Husky Injection Molding Sys. Ltd. v. Athena Automation Ltd.*, the Federal Circuit held that the Board's decision to institute trial over contentions that the petitioner

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U.S.P.Q.2d 1777 (Fed. Cir. 2014) (expressly holding that the structure of the statute bars interlocutory appeal).

<sup>9</sup>*Wi-Fi One, LLC v. Broadcom Corporation*, 837 F.3d 1329, 120 U.S.P.Q.2d 1126 (Fed. Cir. 2016).

<sup>10</sup>*Achates Reference Publishing, Inc. v. Apple Inc.*, 803 F.3d 652, 658, 116 U.S.P.Q.2d 1783 (Fed. Cir. 2015).

<sup>11</sup>*Wi-Fi One, LLC v. Broadcom Corporation*, 837 F.3d 1329, 1333, 120 U.S.P.Q.2d 1126 (Fed. Cir. 2016).

<sup>12</sup>*Click-to-Call Technologies, LP v. Oracle Corp.*, 622 Fed. Appx. 907, 908 (Fed. Cir. 2015), cert. granted, judgment vacated, 136 S. Ct. 2508, 195 L. Ed. 2d 837 (2016) (dismissing Section 315(b) challenge for lack of jurisdiction based on reasoning in *Achates*), cert. granted, judgment vacated, 136 S. Ct. 2508 (2016) (summarily vacating and remanding to the Federal Circuit for further consideration in light of *Cuozzo*).

was barred by assignor estoppel was also unreviewable.<sup>13</sup> There, the Court articulated a “two-part inquiry for determining whether we may review a particular challenge to the decision whether to institute barred.”<sup>14</sup> First, the Court explained that it “must determine whether the challenge at issue is closely tied to the application and interpretation of statutes related to the Patent Office’s decision to initiate inter partes review, or if it instead implicates constitutional questions, depends on other less closely related statutes, or presents other questions of interpretation that reach, in terms of scope and impact, well beyond this section.”<sup>15</sup> Second, the Court explained that it “must ask if, despite the challenge being grounded in a statute closely related to that decision to institute . . . it is nevertheless directed to the Board’s ultimate invalidation authority with respect to a specific patent.”<sup>16</sup> Under this test, the Court found that assignor estoppel “does not prevent a tribunal from evaluating the validity of any challenged claims generally, but rather simply limits the parties that may ask the tribunal for such an evaluation.”<sup>17</sup> Accordingly, it did not implicate any statutory limits on the Board’s authority to conduct the proceeding and was therefore not reviewable on appeal. As this Chapter goes to press, the due date for requesting rehearing in *Husky Injection* has not yet expired and Judge Plager authored a dissent on the issue of reviewability.

### § 15:19 Appeals from specific proceedings—Post-grant proceedings appealed to the Federal Circuit—Mandamus actions

Notwithstanding the AIA’s statutory bar against appealing institution decisions, mandamus action may provide an alternative, albeit exceedingly difficult, path to obtaining judicial

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<sup>13</sup>*Husky Injection Molding Systems Ltd. v. Athena Automation Ltd.*, 838 F.3d 1236, 1238–39, 120 U.S.P.Q.2d 1324 (Fed. Cir. 2016).

<sup>14</sup>*Husky Injection Molding Systems Ltd. v. Athena Automation Ltd.*, 838 F.3d 1236, 1245, 120 U.S.P.Q.2d 1324 (Fed. Cir. 2016).

<sup>15</sup>*Husky Injection Molding Systems Ltd. v. Athena Automation Ltd.*, 838 F.3d 1236, 1245, 120 U.S.P.Q.2d 1324 (Fed. Cir. 2016).

<sup>16</sup>*Husky Injection Molding Systems Ltd. v. Athena Automation Ltd.*, 838 F.3d 1236, 1245, 120 U.S.P.Q.2d 1324 (Fed. Cir. 2016).

<sup>17</sup>*Husky Injection Molding Systems Ltd. v. Athena Automation Ltd.*, 838 F.3d 1236, 1247, 120 U.S.P.Q.2d 1324 (Fed. Cir. 2016).

review. The All Writs Act, 28 U.S.C. § 1651, authorizes federal courts, including the Federal Circuit, to “issue all writs necessary or appropriate in aid of their respective jurisdictions and agreeable to the usages and principles of law.”<sup>1</sup> Separately, 28 U.S.C. § 1361 is the mandamus statute for federal district courts, giving them authority to compel officers or employees of the United States, or an agency thereof, to “perform a duty owed to the plaintiff.”<sup>2</sup> To date, the Federal Circuit has not ruled out the possibility that mandamus could be used to overturn an institution decision. But whether the high standard for mandamus relief can be satisfied still remains to be seen.

With respect to whether immediate review is available, the Federal Circuit has held that the statutory scheme—i.e., the “broadly worded” appeal bar in combination with Section 141 (which provides a right of appeal specifically from a “final written decision”)—should prevent the court from entertaining petitions for writ of mandamus taken directly from decisions granting or denying institution.<sup>3</sup> The court has explained that the final written decision “is the only decision that the statute authorizes a dissatisfied party to appeal to this court.”<sup>4</sup> Thus, in general, no “indisputable” right exists to immediately challenge an institution decision at the Federal Circuit. The court did not address whether a party could seek immediate mandamus (or other) relief from a district court. Nevertheless, when a mandamus action is filed at the institution phase,

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**[Section 15:19]**

<sup>1</sup>28 U.S.C. § 1651 (providing for a writ of mandamus in the Federal Circuit); 28 U.S.C. § 1361 (providing for a writ of mandamus in a district court).

<sup>2</sup>28 U.S.C. § 1295(a)(1) (providing for appeal of an adverse decision on a petition for a writ before the district court to the Federal Circuit).

<sup>3</sup>*In re Dominion Dealer Solutions, LLC.*, 749 F.3d 1379, 110 U.S.P.Q.2d 1780 (Fed. Cir. 2014) (petitioning for mandamus relief directly from denial of institution); *In re Procter & Gamble Co.*, 749 F.3d 1376, 110 U.S.P.Q.2d 1782 (Fed. Cir. 2014) (petitioning for mandamus relief directly from grant of institution).

<sup>4</sup>*St. Jude Medical, Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 1374, 110 U.S.P.Q.2d 1777 (Fed. Cir. 2014).

the court has typically been denying it without prejudice to raising the issues on appeal after a final written decision.<sup>5</sup>

Regarding the high standard for obtaining mandamus relief, the Court frequently reminds parties that “[t]he remedy of mandamus is a drastic one, to be invoked only in extraordinary situations.”<sup>6</sup> As such, three conditions must be satisfied before a writ can issue.<sup>7</sup> First, the challenger must show a “clear and indisputable” right to relief.<sup>8</sup> Second, the challenger must “lack adequate alternative means to obtain the relief” it seeks.<sup>9</sup> Third, “even if the first two prerequisites have been met, the issuing court, in the exercise of its discretion, must be satisfied that the writ is appropriate under the circumstances.”<sup>10</sup> To date, the Federal Circuit has entertained over a dozen petitions for writ of mandamus arising from post-grant proceedings. All have been denied for failure to meet the standard—and all for at least failing to satisfy the first element.

In sum, while the Federal Circuit entertains petitions for writ of mandamus, the standard is exceedingly difficult to satisfy. Given the court’s view that the bar against appeal is “broad[],” such relief will only be “indisputable” and “appropriate” in rare or extreme cases, if ever.

### § 15:20 Appeals from specific proceedings—Post-grant proceedings appealed to the Federal Circuit—Challenges under the APA

The Administrative Procedures Act (“APA”) provides a specific cause of action for persons “suffering legal wrong because of agency action, or adversely affected or aggrieved

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<sup>5</sup>See e.g., *In re VirnetX Inc.*, No. 2016-0119, Dkt. 39 at 2 (Fed. Cir. Mar. 18, 2016) (denying the petition without prejudice to raising the argument on appeal from a final written decision).

<sup>6</sup>*Kerr v. U. S. Dist. Court for Northern Dist. of California*, 426 U.S. 394, 402, 96 S. Ct. 2119, 48 L. Ed. 2d 725, 21 Fed. R. Serv. 2d 1021 (1976).

<sup>7</sup>*Cheney v. U.S. Dist. Court for Dist. of Columbia*, 542 U.S. 367, 380, 124 S. Ct. 2576, 159 L. Ed. 2d 459, 32 Media L. Rep. (BNA) 2121 (2004).

<sup>8</sup>*Cheney*, 542 U.S. at 381 (quoting *Kerr*, 426 U.S. at 403).

<sup>9</sup>*Mallard v. U.S. Dist. Court for Southern Dist. of Iowa*, 490 U.S. 296, 309, 109 S. Ct. 1814, 104 L. Ed. 2d 318 (1989); see also *Cheney*, 542 U.S. at 380; *Kerr*, 426 U.S. at 403.

<sup>10</sup>*Cheney*, 542 U.S. at 381.



by agency action within the meaning of a relevant statute.”<sup>1</sup> Such an action may be brought before a federal district court with jurisdiction over the agency. In general, a plaintiff in an APA action must be able to point to a “final agency action . . . for which there is no other adequate remedy.”<sup>2</sup> For an agency action to be “final” and thus ripe for judicial review, first, “the action must mark the consummation of the agency’s decision making 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.”<sup>3</sup> Thus, an agency action will in general not be reviewable unless and until all remedies within the agency have been exhausted.

There are, however, recognized exceptions to the general rule. For example, when an agency clearly exceeds its statutory authority, the action may be considered *ultra vires*. Courts have held that an *ultra vires* agency action need not be “final” to be reviewable.<sup>4</sup> Similarly, in a “facial” challenge to an agency’s rules or regulations, as distinct from an “as applied” challenge, finality and exhaustion are not required in order to bring an action under the APA.<sup>5</sup>

When post-grant proceedings first became available, sev-

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**[Section 15:20]**

<sup>1</sup>5 U.S.C. § 702.

<sup>2</sup>5 U.S.C. § 704.

<sup>3</sup>*Automated Merchandising Systems, Inc. v. Lee*, 782 F.3d 1376, 1380, 114 U.S.P.Q.2d 1457 (Fed. Cir. 2015), cert. denied, 136 S. Ct. 419, 193 L. Ed. 2d 318 (2015) (concluding that the Office’s refusal to terminate an *inter partes* reexamination was not a reviewable “final agency action” under the APA).

<sup>4</sup>*Philip Morris, Inc. v. Block*, 755 F.2d 368, 370, 1 A.D. Cas. (BNA) 694, 37 Fair Empl. Prac. Cas. (BNA) 74, 36 Empl. Prac. Dec. (CCH) P 35025 (4th Cir. 1985) (explaining that the exhaustion and final agency action requirements may be excused if “the PTO clearly exceeded its statutory authority”); see also *Taylor v. U.S. Patent and Trademark Office*, 339 Fed. Appx. 995 (Fed. Cir. 2009).

<sup>5</sup>*Patlex Corp. v. Mossinghoff*, 771 F.2d 480, 488, 226 U.S.P.Q. 985 (Fed. Cir. 1985) (explaining that while a party bringing a “facial” challenge to agency rules or regulations need not await a final agency action or exhaust all administrative remedies, the general rule in “as applied” challenges is that finality and exhaustion are required in order for a court to exercise its power of judicial review; the justification resting on judicial economy and the need for a complete factual record); see, e.g., *Exela Pharma Sciences, LLC v. Lee*, 781 F.3d 1349, 114 U.S.P.Q.2d 1328 (Fed. Cir.

eral parties filed protective APA actions to hedge against the possibility that judicial review would be unavailable for issues decided at the institution phase, even on appeal from a final written decision.<sup>6</sup> In *Cuozzo* these concerns were founded insofar as the Federal Circuit ultimately construed the statutory appeal bar broadly and refused to consider *Cuozzo's* challenge to the Board's institution decision on that posture.<sup>7</sup> *Cuozzo*, however, did not file a companion APA action. Therefore, the issue of whether an institution decision could be reviewed under the APA remained unresolved.

The U.S. District Court for the Eastern District of Virginia, located next door to the Office, decided this first wave of APA actions. It dismissed all of them as unreviewable in view of the statutory appeal bar. When parties sought to challenge the institution decision directly, the district court noted that, in addition to being expressly barred by the AIA, the challenges are interlocutory and unripe for judicial review. In *Versata Development Corp. v. Rea*, the district court dismissed *Versata's* challenge to the Board's decision to institute a CBM review in which the petitioner (SAP) alleged unpatentability under Section 101.<sup>8</sup> The district court refused to consider the merits of *Versata's* challenge in light of the appeal bar. The district court also agreed with the Office's position at the time that *Versata* had an adequate, alternative remedy available to it; namely, it could appeal to the Federal Circuit from the Board's final written decision.

When *Versata's* final written decision appeal and companion APA action reached the Federal Circuit, the Office changed its position on reviewability. Withdrawing its argument before

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2015) (denying availability of judicial review under the APA to a third-party challenging the Office's decision to revive a competitor's patent application).

<sup>6</sup>See, e.g., *Versata Development Corp. v. Rea*, 959 F. Supp. 2d 912 (E.D. Va. 2013), *aff'd*, 793 F.3d 1352, 115 U.S.P.Q.2d 1708 (Fed. Cir. 2015); *Mentor Graphics Corp. v. Rea*, 2013 WL 3874522 (E.D. Va. 2013); *Dominion Dealer Solutions, LLC v. Lee*, 111 U.S.P.Q.2d 1400, 2014 WL 1572061 (E.D. Va. 2014), appeal dismissed, (4th Cir. 14-1597) (June 19, 2014); *Synopsys, Inc. v. Lee*, 2014 WL 5092291 (E.D. Va. 2014).

<sup>7</sup>See generally *In re Cuozzo Speed Technologies, LLC*, 793 F.3d 1268, 115 U.S.P.Q.2d 1425 (Fed. Cir. 2015), cert. granted, 136 S. Ct. 890, 193 L. Ed. 2d 783 (2016) and *aff'd*, 136 S. Ct. 2131, 195 L. Ed. 2d 423, 119 U.S.P.Q.2d 1065 (2016).

<sup>8</sup>*Versata Development Corp. v. Rea*, 959 F. Supp. 2d 912 (E.D. Va. 2013), *aff'd*, 793 F.3d 1352, 115 U.S.P.Q.2d 1708 (Fed. Cir. 2015).

the district court that Versata had an alternative and adequate remedy on appeal to the Federal Circuit from the Board's final written decision, the Office took the position that no court could review any issue decided at the institution phase in view of the statutory appeal bar. In its decision in *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, Judge Plager writing for the majority expressed some concern about the "bait-and-switch" complexion of the Office's position on appeal, insofar as "when it helps the Government's position, a predicate issue, they argue, can be reviewed on appeal; but when it might hurt, the issue becomes not reviewable."<sup>9</sup> Ultimately, the court found the Office's original position to be correct, in that Versata had an adequate alternative remedy on appeal from the Board's final written decision; however, the court clarified that this was only because the issue on appeal implicated a limit on the Office's "ultimate invalidation authority."<sup>10</sup>

The *Versata* court distinguished Versata's challenge to the Office's authority to institute a post-grant proceeding from the issue raised in *Cuozzo*, which rested on whether the petition could have been pleaded with sufficient particularity.<sup>11</sup> In doing so, the *Versata* court rejected the Office's proposal that the statute absolutely bars judicial review of any and all issues decided at the institution phase. The Court's reasoning relied on principles of administrative law, including the strong presumption of judicial review. In sum, the *Versata* court drew a line between issues that fall within the Office's discretion to decide whether to institute trial on the merits, from issues that implicate the Office's authority to enter a final written decision. As such, *Versata* provides an initial framework for analyzing appealability for issues decided at the institution phase.

Parties have also filed APA actions after a final written decision, to prevent dismissal for lack of finality. In view of the

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<sup>9</sup>*Versata Development Group, Inc. v. SAP America, Inc.*, 793 F.3d 1306, 1318, 115 U.S.P.Q.2d 1681 (Fed. Cir. 2015), cert. denied, 136 S. Ct. 2510, 195 L. Ed. 2d 841 (2016).

<sup>10</sup>*Versata*, 793 F.3d at 1321.

<sup>11</sup>Judge Hughes dissented from the majority's holding, expressing concern that the majority's decision "directly conflicts with our precedential decision in *In re Cuozzo* . . ." and disagreeing with the majority's basis for distinguishing *Cuozzo*, stating that "the potential for a proper pleading did not limit the holding in *Cuozzo*." *Versata*, 793 F.3d at 1341–42.

holding in *Versata*, however, if the issue is appealable from a final written decision, then the complainant will likely have an adequate alternative remedy. A possible outcome on this posture is that when an appeal from the Board and a companion APA action arrive at the Federal Circuit, the Court will select one or the other as the vehicle for deciding the merits. In *Synopsys, Inc. v. Lee*, for example, the district court dismissed an APA challenge lodged after the Board issued its final written decision, relying primarily on the appeal bar.<sup>12</sup> In the alternative, the district court ruled that the AIA provides an adequate remedy on appeal from the Board's final decision. In both forums, Synopsys challenged the legality of the Office's regulation allowing the Board to institute trial on only "some of the challenged claims."<sup>13</sup> Synopsys appealed both from the Board's final written decision on the merits, as well as from the district court's dismissal. The Federal Circuit elected to resolve the merits of the challenge on appeal from the Board's decision, and vacated the companion APA action as moot.<sup>14</sup> Judge Newman dissented from the majority's resolution of the APA action, stating that the question on appeal was whether the district court properly dismissed it for lack of jurisdiction.<sup>15</sup> Since that is what the district court did, Judge Newman observed that in light of its dismissal "there is nothing to moot."<sup>16</sup>

If the action is not appealable from a final written decision, then presumably the Federal Circuit must assess whether it is reviewable on appeal from an APA action. This would be the case in instances where the Board denies institution. The *Versata* court reviewed the Board's decision to institute for whether it constituted a proper exercise of statutory authority. In contrast, a denial of institution does not clearly fall within this framework. It remains to be seen how the court will

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<sup>12</sup>*Synopsys, Inc. v. Lee*, 812 F.3d 1076, 1077, 117 U.S.P.Q.2d 1779 (Fed. Cir. 2016).

<sup>13</sup>37 C.F.R. § 42.108.

<sup>14</sup>*Synopsys*, 812 F.3d at 1078.

<sup>15</sup>*Synopsys*, 812 F.3d at 1078.

<sup>16</sup>*Synopsys*, 812 F.3d at 1078.

analyze cases on this posture in light of the Supreme Court's opinion in *Cuozzo v. Lee*.<sup>17</sup>

**§ 15:21 Appeals from specific proceedings—Post-grant proceedings appealed to the Federal Circuit—Appealing the merits**

On the merits, appeals from the Board to the Federal Circuit in post-grant proceedings have fallen in line with historical trends for inter partes reexamination. That said, at the moment, the affirmance rate in appeals from AIA post-grant proceedings is about 15% higher than appeals from inter partes reexaminations. It also bears noting that the volume of appeals varies significantly between these two types of proceedings. Only about 100 inter partes reexamination appeals have been decided in the last five years, as compared with well over 100 AIA post-grant proceeding appeals in just the last two. Beyond that, AIA post-grant proceedings have a compressed trial-like schedule and involve motions practice, evidentiary issues, and the potential for discovery.

Regardless, both types of proceedings are reviewed based on the standards of review discussed in the preceding sections. Like their inter partes reexamination precursors, the deference owed to the Board's fact findings under the substantial evidence standard of review explains the high affirmance rate.<sup>1</sup> As such, parties seeking reversal of the Board's

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<sup>17</sup>*But see In re Dominion Dealer Solutions, LLC.*, 749 F.3d 1379, 110 U.S.P.Q.2d 1780 (Fed. Cir. 2014) (denying petition for writ of mandamus by an unsuccessful petitioner challenging a decision denying institution); *GTNX, Inc. v. INTTRA, Inc.*, 789 F.3d 1309, 1312, 115 U.S.P.Q.2d 1178 (Fed. Cir. 2015) (holding that decision to terminate an CBM review by vacating the institution decision cannot be reviewed for the same reasons that a decision on institution is unreviewable, clarifying that the Board is within its authority to reconsider its decision to institute, denying mandamus relief); see also *Medtronic, Inc. v. Robert Bosch Healthcare Systems, Inc.*, 839 F.3d 1382, 1384 (Fed. Cir. 2016) (denying panel rehearing of a decision holding that Section 314(d) bars review of the Board's decision to terminate an instituted IPR, denying mandamus relief); *GEA Process Engineering, Inc. v. Steuben Foods, Inc.*, 618 Fed. Appx. 667 (Fed. Cir. 2015), cert. denied, 137 S. Ct. 33 (2016) (holding that Board did not exceed its authority by terminating an instituted IPR).

**[Section 15:21]**

<sup>1</sup>*Merck & Cie v. Gnosis S.P.A.*, 820 F.3d 432, 433 (Fed. Cir. 2016) (denying rehearing en banc).

determinations must face the practical reality that the vast majority of appeals on the merits are unsuccessful.

We focus on two notable exceptions to the conventional wisdom that appeals from the Board are usually affirmed based on the standard of review. First, the Federal Circuit has issued numerous opinions now vacating and remanding a final written decision due to an erroneous claim construction.<sup>2</sup> Second, the Federal Circuit has either vacated and remanded or, in some instances, outright reversed the Board for failing to articulate sufficient or correct legal reasoning with respect to obviousness.<sup>3</sup> A key aspect of these two issues is that, while both may or do involve underlying fact findings, the ultimate question in both instances is a legal one, reviewed without deference to the Board.<sup>4</sup> That is, in the usual case, claim construction receives *de novo* review.<sup>5</sup> Similarly, the ultimate conclusion of obviousness is a question of law.<sup>6</sup> The notably higher rates of reversal and remand on these two questions fall into line with the broader truism that the Federal Circuit is more likely to correct the Board in instances where *de novo* review is available.

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<sup>2</sup>*Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292, 115 U.S.P.Q.2d 1198 (Fed. Cir. 2015); *Straight Path IP Group, Inc. v. Sipnet EU S.R.O.*, 806 F.3d 1356, 117 U.S.P.Q.2d 1223 (Fed. Cir. 2015); *Cutsforth, Inc. v. Motivepower, Inc.*, 643 Fed. Appx. 1008 (Fed. Cir. 2016); *PPC Broadband, Inc. v. Corning Optical Communications RF, LLC*, 815 F.3d 734, 118 U.S.P.Q.2d 1062 (Fed. Cir. 2016); *Dell Inc. v. Acceleron, LLC*, 818 F.3d 1293, 118 U.S.P.Q.2d 1353 (Fed. Cir. 2016); *Pride Mobility Products Corp. v. Permobil, Inc.*, 818 F.3d 1307, 118 U.S.P.Q.2d 1549 (Fed. Cir. 2016); *Respironics, Inc. v. Zoll Medical Corporation*, 2016 WL 4056094, \*3 (Fed. Cir. 2016).

<sup>3</sup>*Belden Inc. v. Berk-Tek LLC*, 805 F.3d 1064, 116 U.S.P.Q.2d 1869 (Fed. Cir. 2015); *Ariosa Diagnostics v. Verinata Health, Inc.*, 805 F.3d 1359, 117 U.S.P.Q.2d 1068 (Fed. Cir. 2015); *Nike, Inc. v. Adidas AG*, 812 F.3d 1326, 117 U.S.P.Q.2d 1967 (Fed. Cir. 2016); *Shaw Industries Group, Inc. v. Automated Creel Systems, Inc.*, 817 F.3d 1293, 118 U.S.P.Q.2d 1316 (Fed. Cir. 2016), cert. denied, 2016 WL 4001321 (U.S. 2016); *Cutsforth, Inc. v. MotivePower, Inc.*, 636 Fed. Appx. 575, 577 (Fed. Cir. 2016); *Black & Decker, Inc. v. Positec USA, Inc.*, 646 Fed. Appx. 1019, 1027, 118 U.S.P.Q.2d 1717 (Fed. Cir. 2016); *Arendi S.A.R.L. v. Apple Inc.*, 832 F.3d 1355, 1362–63, 119 U.S.P.Q.2d 1822 (Fed. Cir. 2016), petition for certiorari filed (U.S. Nov. 8, 2016).

<sup>4</sup>See *supra* § 15:6.

<sup>5</sup>*Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 113 U.S.P.Q.2d 1269 (2015).

<sup>6</sup>*Randall Mfg. v. Rea*, 733 F.3d 1355, 1362, 108 U.S.P.Q.2d 1727 (Fed. Cir. 2013).

That is not to say that claim construction and obviousness challenges are always, or even likely to be, successful. Indeed, the majority of appeals on these two fronts are still affirmed. For this reason, it remains critical to prevail at the trial stage when possible, and otherwise to build a strong record for appeal. Aside from the standard of review, however, other defects in the case on appeal, such as failing to preserve an issue or failing to support positions with evidence, account for an equally large number of losses at the Federal Circuit. Thus, if parties foresee the possibility of an appeal, trial should be conducted with an appellate brief in mind and an appreciation for the deferential standard of review applicable to fact findings, as distinct from questions of law.

### **Claim Construction**

A unique aspect of claim construction in post-grant proceedings is the Board's application of the broadest reasonable interpretation ("BRI"). The Office promulgated a regulation formally adopting the BRI as the applicable claim construction standard in post-grant proceedings.<sup>7</sup> An early challenge to this regulation garnered much attention when the Supreme Court granted cert in *Cuozzo v. Lee* to decide whether the Federal Circuit erred in holding that the Board may construe claims of an issued patent using the BRI, rather than the well-known *Phillips* framework.<sup>8</sup>

In *Cuozzo v. Lee*, the Supreme Court unanimously held that the Office acted within its statutory authority and discretion in adopting its regulation applying the BRI to all post-grant proceedings. The Supreme Court rejected *Cuozzo's* argument that Congress intended post-grant proceedings to serve as a true alternative to district court litigation, explaining that a post-grant proceeding "is less like a judicial proceeding and more like a specialized agency proceeding."<sup>9</sup> The Supreme Court also explained that the Office's use of the BRI was "not unfair" to patent owners because they have an opportunity to amend "overly broad claims" both during post-grant proceed-

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<sup>7</sup>37 C.F.R. § 42.100(b).

<sup>8</sup>*Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 890, 193 L. Ed. 2d 783 (2016) (granting cert).

<sup>9</sup>*Cuozzo*, 136 S. Ct. at 2135.

ings as well as during original prosecution.<sup>10</sup> The Supreme Court also disagreed with *Cuozzo* that the potential for inconsistent results when the same patent is construed by the Board and a district court represented a problem because the potential for inconsistent results “has long been present in our patent system” and was “inherent to Congress’ regulatory design.”<sup>11</sup>

Given that the Supreme Court upheld the Office’s use of the BRI, parties should view their claim construction positions through that lens. As a practical matter, parties involved in concurrent litigation often adopt narrower claim construction positions before the district court for purposes of defending against a charge of infringement, while adopting broader positions before the Board for purposes of attacking the claims as unpatentable. Because the claim construction standards between the two forums are formally distinct and the decision makers are not bound by each other’s decisions (except with respect to their final judgments of invalidity), courts have been reluctant to prohibit parties from advancing different or even inconsistent constructions.

While the narrower and broader constructions can diverge sharply in some situations, they may also reach a point of convergence when it comes to general principles of claim construction.<sup>12</sup> A series of Federal Circuit claim construction decisions on appeals from post-grant proceedings emphasize that, despite the administrative liberty afforded by the BRI, the Board’s construction must still be *reasonable*.<sup>13</sup> The Federal Circuit’s law on the broadest *reasonable* interpreta-

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<sup>10</sup>*Cuozzo*, 136 S. Ct. at 2145.

<sup>11</sup>*Cuozzo*, 136 S. Ct. at 2146.

<sup>12</sup>Some panels have found that, based on the facts at issue, it makes no difference whether the Board applied BRI or *Phillips*. *Straight Path IP Group, Inc. v. Sipnet EU S.R.O.*, 806 F.3d 1356, 117 U.S.P.Q.2d 1223 (Fed. Cir. 2015); *Black & Decker, Inc. v. Positec USA, Inc.*, 646 Fed. Appx. 1019, 1027, 118 U.S.P.Q.2d 1717 (Fed. Cir. 2016). Others have observed that the two standards would produce different outcomes. See, e.g., *PPC Broadband, Inc. v. Corning Optical Communications RF, LLC*, 815 F.3d 734, 118 U.S.P.Q.2d 1062 (Fed. Cir. 2016).

<sup>13</sup>The Court has explained that under either standard, claims must still be given their ordinary meaning unless that is inconsistent with the intrinsic record, including the prosecution history. An interpretation that violates those principles is unreasonable. See, e.g., *Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292, 115 U.S.P.Q.2d 1198 (Fed. Cir. 2015); *Straight Path IP*



tion is that the Board's construction must still be consistent with the specification, as well as other aspects of the intrinsic record, such as the prosecution history.<sup>14</sup> This line of cases breathes vitality back into the claim construction exercise and suggests that the Board will be held to a high standard of legal precision by the Federal Circuit. More importantly, it underscores that applying the BRI is not a blank check to simply interpret claims in whatever manner renders them unpatenable.

### **Obviousness**

The law of obviousness is another substantive area in which the Federal Circuit has held the Board to a relatively high level of precision, as well as a sufficient amount of reasoning. This is consistent with the notion that, as a matter of law, an obviousness determination must address all the *Graham* factors and be supported by articulated reasoning with rational underpinning.<sup>15</sup>

In a handful of notable cases, the Federal Circuit has faulted the Board for misapplying the law of obviousness or reaching its conclusion without adequate reasoning or support in the record. The criticism in these cases often stems from ambiguity in the Board's final written decision. For example, in *Ariosia Diagnostics v. Verinata Health, Inc.*, the Court remanded the Board's final determination of obviousness because "we cannot confidently discern whether the Board . . . was actually relying on a legally proper ground rather than the erroneous ground noted"—in that instance, failing to consider evidence concerning the level of skill in the art.<sup>16</sup> In *Shaw Industries Group v. Automated Creel Systems*, the Court vacated the Board's obviousness determination because "[t]he language of the Board's decision as to [whether the art taught a partic-

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*Group, Inc. v. Sipnet EU S.R.O.*, 806 F.3d 1356, 117 U.S.P.Q.2d 1223 (Fed. Cir. 2015); *Trivascular, Inc. v. Samuels*, 812 F.3d 1056, 117 U.S.P.Q.2d 1802 (Fed. Cir. 2016); *PPC Broadband, Inc. v. Corning Optical Communications RF, LLC*, 815 F.3d 734, 118 U.S.P.Q.2d 1062 (Fed. Cir. 2016).

<sup>14</sup>*Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292, 115 U.S.P.Q.2d 1198 (Fed. Cir. 2015); *Straight Path IP Group, Inc. v. Sipnet EU S.R.O.*, 806 F.3d 1356, 117 U.S.P.Q.2d 1223 (Fed. Cir. 2015).

<sup>15</sup>See generally *KSR Intern. Co. v. Teleflex Inc.*, 550 U.S. 398, 418, 127 S. Ct. 1727, 167 L. Ed. 2d 705, 82 U.S.P.Q.2d 1385 (2007).

<sup>16</sup>*Ariosia Diagnostics v. Verinata Health, Inc.*, 805 F.3d 1359, 1366, 117 U.S.P.Q.2d 1068 (Fed. Cir. 2015).

ular feature] is ambiguous as best.”<sup>17</sup> Similarly, with respect to motivation to combine, in *Cutsforth, Inc. v. MotivePower, Inc.*, the Court vacated and remanded with the admonition: “In a case of obviousness, the Board must explain why a person of ordinary skill in the art would modify the prior art references to create the claimed invention . . . . In this case, the Board made broad, conclusory statements in its analysis to determine that the claims of the [patent] are obvious.”<sup>18</sup>

While rarer, the Federal Circuit has occasionally corrected the Board on points of law. For example, in *Ariosa Diagnostics v. Verinata Health, Inc.*, the Court emphasized that it would be legal error not to consider evidence concerning “the background understanding of skilled artisan [during the relevant timeframe], simply because the [evidence] had not been identified at the petition stage as one of the pieces of prior art defining a combination for obviousness.”<sup>19</sup> The Court’s holding in *Arendi S.A.R.L. v. Apple Inc* is independently notable for clarifying the role of “common sense” in the obviousness calculus.<sup>20</sup> In reversing the Board, the Court stated: “In cases in which ‘common sense’ is used to supply a missing limitation, as distinct from a motivation to combine . . . our search for a reasoned basis for resort to common sense must be searching. And, this is particularly true where the missing limitation goes to the heart of an invention.”<sup>21</sup> The Court found that the Board improperly “extrapolate[d]” a missing

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<sup>17</sup>*Shaw Industries Group, Inc. v. Automated Creel Systems, Inc.*, 817 F.3d 1293, 1301, 118 U.S.P.Q.2d 1316 (Fed. Cir. 2016), cert. denied, 2016 WL 4001321 (U.S. 2016).

<sup>18</sup>*Cutsforth, Inc. v. MotivePower, Inc.*, 636 Fed. Appx. 575, 577 (Fed. Cir. 2016) (“Broad, conclusory statements are not enough to satisfy the Board’s obligation to provide reasoned explanation for its decision.”) (citing *In re Sang Su Lee*, 277 F.3d 1338, 61 U.S.P.Q.2d 1430 (Fed. Cir. 2002)); see also *Black & Decker, Inc. v. Positec USA, Inc.*, 646 Fed. Appx. 1019, 1027, 118 U.S.P.Q.2d 1717 (Fed. Cir. 2016) (agreeing with the appellant that “the Board failed to explain why a person of ordinary skill in the art would [combine the teachings] . . . .”).

<sup>19</sup>*Ariosa Diagnostics v. Verinata Health, Inc.*, 805 F.3d 1359, 1365, 117 U.S.P.Q.2d 1068 (Fed. Cir. 2015).

<sup>20</sup>*Arendi S.A.R.L. v. Apple Inc.*, 832 F.3d 1355, 119 U.S.P.Q.2d 1822 (Fed. Cir. 2016), petition for certiorari filed (U.S. Nov. 8, 2016).

<sup>21</sup>*Arendi*, 832 F.3d at 1363.

claim element based solely on “common sense.”<sup>22</sup> And in *Nike, Inc. v. Adidas AG*, the Court admonished the Board for, at best, “implicitly” considering evidence of secondary considerations of nonobviousness, explaining that “the Board is bound to fully consider properly presented evidence . . . . the Board should have explicitly acknowledged and evaluated [the appellant’s] secondary considerations evidence.”<sup>23</sup>

On balance, however, the Federal Circuit has more often than not affirmed the Board in its decisions involving obviousness. For example, in the opinions for *South Alabama Medical Science v. Gnosis S.P.A.* and *Merck & Cie v. Gnosis S.P.A.*, which involved commercial success, long-felt need, failure of others, industry praise, licensing, and copying, the Federal Circuit rejected the appellant’s contention that the Board applied an overly strict nexus requirement when discounting secondary considerations.<sup>24</sup> In affirming the Board’s assessment of the facts and application of the law of nexus for secondary considerations, the Court observed: “Although another factfinder may have reasonably evaluated [the patentee’s] evidence of objective indicia of nonobviousness differently in the first instance, the Board’s conclusion that this evidence was not persuasively tied to the novel features of the asserted claims is supported by substantial evidence.”<sup>25</sup>

On occasion, the Federal Circuit has disagreed with the Board on the technical merits of its assessment. For example, in *Black & Decker, Inc. v. Positec USA, Inc.*, the Court disagreed that a prior art reference suggested a reason to combine the relevant teachings, stating “[n]othing in [the reference] suggests” what the Board found it to suggest.<sup>26</sup> This scrutiny has applied equally when the Board upholds claims as patentable. In *Belden Inc. v. Berk-Tek LLC*, the Court signaled its intent to

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<sup>22</sup>*Arendi*, 832 F.3d at 1365.

<sup>23</sup>*Nike, Inc. v. Adidas AG*, 812 F.3d 1326, 1339, 117 U.S.P.Q.2d 1967 (Fed. Cir. 2016).

<sup>24</sup>*South Alabama Medical Science Foundation v. Gnosis S.P.A.*, 808 F.3d 823, 117 U.S.P.Q.2d 1405 (Fed. Cir. 2015); *Merck & Cie v. Gnosis S.P.A.*, 808 F.3d 829, 117 U.S.P.Q.2d 1393 (Fed. Cir. 2015), cert. denied, 137 S. Ct. 297 (2016).

<sup>25</sup>*Merck & Cie*, 808 F.3d at 838–39.

<sup>26</sup>*Black & Decker, Inc. v. Positec USA, Inc.*, 646 Fed. Appx. 1019, 1027, 118 U.S.P.Q.2d 1717 (Fed. Cir. 2016).

reverse by first observing that “[n]one of the Board’s reasons for concluding [that the claims were patentable as nonobvious] withstands scrutiny through the lens of governing law.”<sup>27</sup> The Court went on to explain that the prior art “plainly discloses” a motivation to combine.<sup>28</sup>

### § 15:22 Appeals from specific proceedings—Post-grant proceedings appealed to the Federal Circuit—Appealing procedural issues

Procedural challenges to the Board’s administration of the statute and regulations, as well as under basic principles of administrative law, have occupied a significant portion of the Federal Circuit’s AIA jurisprudence to date. Some challenges involve alleged due process violations, others take issue with the placement or shifting of burdens, and others involve objections to the Board’s interpretation of the statute or rules. As a general matter, the Court appears to be inclined to engage in judicial review on these procedural challenges, at least while issues of first impression are common, given the relatively recent vintage of these types of administrative proceedings.

#### **Due Process**

Under the AIA, the Board must complete a post-grant proceeding within one year of the date of institution, and it often cites this statutory mandate as the basis for denying parties leave to supplement pleadings, seek discovery, and extend deadlines.<sup>1</sup> As a practical matter, this means that parties can only ever expect to present arguments and evidence within the constraints of the trial schedule, and within the word limits set by regulation.<sup>2</sup> On occasion, these constraints have come into tension with the Administrative Procedures Act (APA) and general principles of due process. Notably, the APA provides that “[p]ersons entitled to notice of an agency hearing shall be timely informed of . . . the matters of fact

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<sup>27</sup>*Belden Inc. v. Berk-Tek LLC*, 805 F.3d 1064, 1076, 116 U.S.P.Q.2d 1869 (Fed. Cir. 2015).

<sup>28</sup>*Belden*, 805 F.3d at 1076.

#### **[Section 15:22]**

<sup>1</sup>See 35 U.S.C. § 316(a)(11); 37 C.F.R. § 42.100(c).

<sup>2</sup>See, e.g., 37 C.F.R. §§ 42.104(b)(5), 42.23(b).

and law asserted”;<sup>3</sup> that agencies must give “all interested parties opportunity for . . . the submission and consideration of facts [and] arguments. . . [and] hearing and decision on notice”;<sup>4</sup> and entitles a party “to submit rebuttal evidence.”<sup>5</sup>

The Federal Circuit has interpreted the notice provisions of the APA to mean that “an agency may not change theories in midstream without giving respondents reasonable notice of the change” and “the opportunity to present argument under the new theory.”<sup>6</sup> As a whole, these provisions of the APA embody the notion that “[t]he indispensable ingredients of due process are notice and an opportunity to be heard by a disinterested decision-maker.”<sup>7</sup> The Court has relied on these fundamental principles in addressing procedural issues appealed from the Board.

A frequent issue is whether a petitioner’s reply exceeds proper scope, given that a patent owner is not entitled to a sur-reply as of right under the regulations. In *Ariosa Diagnostics v. Verinata Health, Inc.*, the Federal Circuit recognized that the rules generally “require that the parties make their cases in a very small number of filings—with the challenger obliged to make an adequate case in its Petition and the Reply limited to a true rebuttal role.”<sup>8</sup> Given the potential for procedural unfairness if a reply exceeds proper scope, the Court explained that: “The Board must make judgments about whether a Petition identified the specific evidence relied on in a Reply and when a Reply contention crosses the line from the responsive to the new.”<sup>9</sup>

In *Belden Inc. v. Berk-Tek LLC* the Court emphasized that it is incumbent upon parties to request relief before complain-

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<sup>3</sup>5 U.S.C. § 554(b)(3).

<sup>4</sup>5 U.S.C. § 554(c).

<sup>5</sup>5 U.S.C. § 554(d).

<sup>6</sup>*Belden Inc. v. Berk-Tek LLC*, 805 F.3d 1064, 1080, 116 U.S.P.Q.2d 1869 (Fed. Cir. 2015) (quotes omitted).

<sup>7</sup>*Abbott Laboratories v. Cordis Corp.*, 710 F.3d 1318, 1328, 106 U.S.P. Q.2d 1227 (Fed. Cir. 2013).

<sup>8</sup>*Ariosa Diagnostics v. Verinata Health, Inc.*, 805 F.3d 1359, 1367, 117 U.S.P.Q.2d 1068 (Fed. Cir. 2015).

<sup>9</sup>*Ariosa Diagnostics*, 805 F.3d at 1368.

ing of a procedural violation.<sup>10</sup> The Court noted that “the Board (or its predecessor) has long granted permission to file surreplies despite the absence of any regulation providing for such filings,” and the appellant did not “seek to file a surreply, to file additional observations on its cross-examination, to make arguments in those observations, or to have the Board waive any other regulations that it believed prevented it from adequately responding.”<sup>11</sup> The Court concluded that: “With no denial of concrete, focused requests before us, we are not prepared to find that [the appellant] was denied a meaningful opportunity to respond . . . .”<sup>12</sup>

Another due process challenge relates to whether the Board changed theories midstream, depriving the parties of an opportunity to respond to the new “thrust” of its review.<sup>13</sup>

In *Dell Inc. v. Accelaron, LLC*, the Court vacated the Board’s decision on grounds that evidence was presented for the first time at the oral hearing.<sup>14</sup> The hearing is the last substantive event in the post-grant proceeding, during which the Board listens to argument from the parties. The Board rules firmly forbid the introduction of new matter at the oral hearing. Thus, in view of the Board’s reliance on new evidence from the oral hearing, the Federal Circuit held that: “[T]he Board denied [the appellant] its procedural rights by relying in its decision on a factual assertion introduced into the proceeding only at oral argument, after [the appellant] could meaningfully respond.”<sup>15</sup> Similarly, in *SAS Inst., Inc. v. ComplementSoft, LLC*, the Federal Circuit again vacated the Board’s final written decision because the Board announced a new claim construction without giving the parties a meaningful op-

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<sup>10</sup>*Belden Inc. v. Berk-Tek LLC*, 805 F.3d 1064, 116 U.S.P.Q.2d 1869 (Fed. Cir. 2015).

<sup>11</sup>*Belden*, 805 F.3d at 1082.

<sup>12</sup>*Belden*, 805 F.3d at 1082.

<sup>13</sup>*In re Biedermann*, 733 F.3d 329, 337, 108 U.S.P.Q.2d 1623 (Fed. Cir. 2013) (quoting *In re Leithem*, 661 F.3d 1316, 1319, 100 U.S.P.Q.2d 1155 (Fed. Cir. 2011)) (both cases dealing with due process issues related to “new grounds”).

<sup>14</sup>*Dell Inc. v. Accelaron, LLC*, 818 F.3d 1293, 118 U.S.P.Q.2d 1353 (Fed. Cir. 2016).

<sup>15</sup>*Dell*, 818 F.3d at 1301.

portunity to respond.<sup>16</sup> The Court explained that: “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.’ . . . It is difficult to imagine either party anticipating that already-interpreted terms were actually moving targets . . . .”<sup>17</sup> The Court noted that: “[I]t is . . . unreasonable to expect that [the parties] would have briefed or argued, in the alternative, hypothetical constructions not asserted by their opponent.”<sup>18</sup>

The Court has affirmed the Board in situations where a change is procedurally appropriate, or at a minimum not prejudicial. For example, in *Genzyme Therapeutic Prod. Ltd. P’ship v. Biomarin Pharm. Inc.*, the Court explained that “[t]here is no requirement, either in the Board’s regulations, in the APA, or as a matter of due process, for the institution decision to anticipate and set forth every legal or factual issue that might arise in the course of the trial.”<sup>19</sup> The Court noted that “[t]he development of evidence in the course of trial is in keeping with the oppositional nature of a [post-grant] proceeding.”<sup>20</sup> And in *Progressive Cas. Ins. Co. v. Liberty Mut. Ins. Co.*, the Court declined to find a procedural violation in the Board’s reliance on part of a reference not cited in the proceeding, explaining that “[w]e need not pursue the [APA] legal analysis to a conclusion . . . . If there was error, it was harmless. The Board did not rely solely on [the disputed portion of the reference] . . . . In light of the independent ground, any error . . . did not affect the outcome.”<sup>21</sup>

While the Court has been reluctant to incorporate wholesale the “new ground of rejection” case law established in the context of reexamination and ex parte prosecution, the above line of cases demonstrates that the Court is considering is-

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<sup>16</sup>*SAS Institute, Inc. v. ComplementSoft, LLC.*, 825 F.3d 1341, 1350–51, 119 U.S.P.Q.2d 1031 (Fed. Cir. 2016).

<sup>17</sup>*SAS Inst.*, 825 F.3d at 1351–52.

<sup>18</sup>*SAS Inst.*, 825 F.3d at 1351–52.

<sup>19</sup>*Genzyme Therapeutic Products Limited Partnership v. Biomarin Pharmaceutical Inc.*, 825 F.3d 1360, 1366–67, 119 U.S.P.Q.2d 1022 (Fed. Cir. 2016).

<sup>20</sup>*Genzyme Therapeutic*, 825 F.3d at 1366–67.

<sup>21</sup>*Progressive Cas. Ins. Co. v. Liberty Mut. Ins. Co.*, 625 Fed. Appx. 552, 557 (Fed. Cir. 2015).

sues of due process in an analogous way.<sup>22</sup> For example, in *In re NuVasive, Inc.*, the Court vacated a determination of unpatentability on grounds that the patent owner had been deprived of notice and an opportunity to respond to a particular figure in the prior art as support for a claim element.<sup>23</sup> During trial, the patent owner requested leave to file a motion to strike or, alternatively, file surreplies, which the Board denied. The Court analogized the situation to that of a “new ground of rejection,” explaining that the Board’s ultimate reliance on the new figure violated the patent owner’s procedural rights under the APA.<sup>24</sup>

### **Burden of Proof**

Due to the limited opportunities to present and respond to arguments and evidence in post-grant proceedings, parties have frequently challenged whether the Board has misplaced the burden of proof. Parties have argued that unfair prejudice results from such misallocations.

The Court clarified the respective burdens in *Dynamic Drinkware, LLC v. National Graphics, Inc.* when it affirmed the Board’s finding that the petitioner bore the burden to prove that its Section 102(e) prior art was entitled to its provisional date.<sup>25</sup> The Court held that while the petitioner was not required to do so until after the patent owner asserted an earlier critical date, petitioner had the ultimate burden.<sup>26</sup> The Court explained: “In an inter partes review, the burden of persuasion is on the petitioner to prove ‘unpatentability’ by a preponderance of the evidence, 35 U.S.C. § 316(e), and that

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<sup>22</sup>See, e.g., *In re Biedermann*, 733 F.3d 329, 108 U.S.P.Q.2d 1623 (Fed. Cir. 2013); *Rambus Inc. v. Rea*, 731 F.3d 1248, 108 U.S.P.Q.2d 1400 (Fed. Cir. 2013); *In re Leithem*, 661 F.3d 1316, 100 U.S.P.Q.2d 1155 (Fed. Cir. 2011); *In re Stepan Co.*, 660 F.3d 1341, 100 U.S.P.Q.2d 1489 (Fed. Cir. 2011) (collecting cases relevant to determining whether new ground is raised).

<sup>23</sup>*In re NuVasive, Inc.*, 841 F.3d 966, 971, 120 U.S.P.Q.2d 1552 (Fed. Cir. 2016).

<sup>24</sup>*In re NuVasive, Inc.*, 841 F.3d 966, 972, 120 U.S.P.Q.2d 1552 (Fed. Cir. 2016).

<sup>25</sup>*Dynamic Drinkware, LLC v. National Graphics, Inc.*, 800 F.3d 1375, 1378, 116 U.S.P.Q.2d 1045 (Fed. Cir. 2015).

<sup>26</sup>*Dynamic Drinkware*, 800 F.3d at 1381–82.



burden never shifts to the patentee."<sup>27</sup> As such, the petitioner ultimately needed to come forth with sufficient evidence to establish that its reference was prior art.

In *TriVascular, Inc. v. Samuels*, the Court rejected a petitioner's challenge to the Board's determination of nonobviousness on grounds that it was inconsistent with undisturbed findings in its institution decision, such that the Board had changed its view without explaining adequately why it had done so.<sup>28</sup> The Court explained that "the Board is not bound by any findings made in its Institution Decision" because "[a]t that point, the Board is considering the matter preliminarily without the benefit of a full record" and, as such, "[t]he Board is free to change its view of the merits after further development of the record, and should do so if convinced its initial inclinations were wrong."<sup>29</sup> The Court also highlighted that the standard for instituting a trial is "qualitatively different" than the standard for finding claims unpatentable in its final written decision.<sup>30</sup>

The Federal Circuit again addressed the parties respective burdens and the role of the Board in *In re Magnum Oil Tools Int'l, Ltd.*, rejecting an argument advanced by the Patent Office that the Board's decision to institute shifts the burden to the patent owner to prove patentability.<sup>31</sup> The Court explained that "[t]he PTO's proposed burden shifting framework is . . . directly at odds with our precedent holding that the decision to institute and the final written decision are 'two very different analyses,' and each applies a 'qualitatively different standard.'"<sup>32</sup> Notwithstanding that the ultimate burden never shifts, as explained in *Dynamic Drinkware*, the Court observed that the patent owner is "well advised" to introduce responsive evidence in defense of patentability.<sup>33</sup> The Court also held that AIA trials are a "system that is predicated on a peti-

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<sup>27</sup>*Dynamic Drinkware*, 800 F.3d at 1378.

<sup>28</sup>*TriVascular, Inc. v. Samuels*, 812 F.3d 1056, 1068, 117 U.S.P.Q.2d 1802 (Fed. Cir. 2016).

<sup>29</sup>*TriVascular*, 812 F.3d at 1068.

<sup>30</sup>*TriVascular*, 812 F.3d at 1068.

<sup>31</sup>*In re Magnum Oil Tools International, Ltd.*, 829 F.3d 1364, 119 U.S.P.Q.2d 1541 (Fed. Cir. 2016).

<sup>32</sup>*In re Magnum Oil Tools Int'l*, 829 F.3d at 1376 (quoting *TriVascular*, 812 F.3d at 1068).

<sup>33</sup>*In re Magnum Oil Tools Int'l*, 829 F.3d at 1376 n.1.

tion followed by a trial in which the petitioner bears the burden of proof” and “[g]iven that framework, we find no support for the PTO’s position that the Board is free to adopt arguments on behalf of petitioners that could have been, but were not, raised by the petitioner during an IPR.”<sup>34</sup> The Court noted, “the Board must base its decision on arguments that were advanced by a party, and to which the opposing party was given a chance to respond.”<sup>35</sup> It cannot “raise, address, and decide unpatentability theories never presented by the petitioner and not supported by record evidence.”<sup>36</sup>

The cases discussed above represent the visible jurisprudence of the Court on burden allocation in post-grant proceedings. It does not capture the large number of appeals that are summarily affirmed where similar scenarios have been briefed and argued. Accordingly, these examples must be taken on balance with the vast majority of cases where the burden as applied consists simply of the petitioner making out a prima facie case that the patent owner must rebut. If the patent owner fails to do so, the claims are properly found unpatentable. In such instances, the Court has not found improper burden shifting. For example, when the Board found the petitioner’s evidence to be more persuasive than the patent owner’s, the Court affirmed, noting that “[the petitioner] simply established a prima facie case, which [the patent owner] failed to rebut.”<sup>37</sup>

### **Claim Amendment**

As of this writing, the Federal Circuit has taken en banc the Board’s application of the statutory right to amend claims in an post-grant proceeding. Specifically, the Federal Circuit granted rehearing en banc in *In re Aqua Prod., Inc.* to resolve the standard for amending claims in post-grant proceedings.<sup>38</sup> While pending, the Court’s en banc consideration casts doubt on a series of prior decisions upholding the Board’s interpretation of the statutory and regulatory provisions governing amendment. These decisions affirmed the Board’s interpreta-

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<sup>34</sup>*In re Magnum Oil Tools Int’l*, 829 F.3d at 1381.

<sup>35</sup>*In re Magnum Oil Tools Int’l*, 829 F.3d at 1381.

<sup>36</sup>*In re Magnum Oil Tools Int’l*, 829 F.3d at 1381.

<sup>37</sup>*Belden Inc. v. Berk-Tek LLC*, 610 Fed. Appx. 997, 1005 (Fed. Cir. 2015).

<sup>38</sup>*In re Aqua Products, Inc.*, 833 F.3d 1335, 119 U.S.P.Q.2d 1882 (Fed. Cir. 2016) (granting rehearing en banc).

tion of the statutory provisions governing amendments. In general, the Office's position has been that the patent owner bears the burden to establish the patentability of any proposed substitute claims in a contingent motion to amend.<sup>39</sup> Failure to satisfy that burden results in denial of the motion.

Through adjudicative rulemaking, and by designating certain decisions as precedential, the Board has added specifics to the standard.<sup>40</sup> In a series of opinions predating the Court's decision to rehear *In re Aqua Prod., Inc.*, the Federal Circuit effectively endorsed certain portions of the Office's standard. Among other things, these Federal Circuit decisions have held that it is not unreasonable to require the patent owner to prove patentability over all prior art that is of record in the post-grant proceeding itself,<sup>41</sup> all prior art that is in the file history of the associated patent,<sup>42</sup> and all material prior art that the patent owner is aware of under its "duty of candor."<sup>43</sup> As this book goes to press, these holdings appear vulnerable to being overruled in *In re Aqua Prod., Inc.*

In *Nike, Inc. v. Adidas AG*, the Board vacated and remanded the Board's denial of a motion to amend for failure to properly consider secondary considerations of nonobviousness.<sup>44</sup> The Court disagreed with the Patent Office's argument that the Board had "implicitly" considered the evidence, holding that

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<sup>39</sup>*Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292, 1306, 115 U.S.P. Q.2d 1198 (Fed. Cir. 2015) (explaining that "the PTO promulgated both the general regulation setting forth the patentee's burden to establish it is entitled to its requested relief, § 42.20, as well as the more specific regulation setting forth particular requirements regarding the amendment," concluding that "we agree with the Director that § 42.121(a)(2) is not an exhaustive list of grounds upon which the Board can deny a motion to amend," finding nothing in those rules that is plainly erroneous or inconsistent with the statute).

<sup>40</sup>*MasterImage 3D, Inc. v. RealD Inc.*, IPR2015-00040, Paper 42, 2015 WL 4383224 (P.T.A.B. July 15, 2015) (designated as precedential); *Idle Free Systems, Inc. v. Bergstrom, Inc.*, IPR2012-00027, Paper No. 26 (P.T.A.B. June 11, 2013) (designated as informative).

<sup>41</sup>*Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292, 1307, 115 U.S.P. Q.2d 1198 (Fed. Cir. 2015).

<sup>42</sup>*Prolitec, Inc. v. Scentair Technologies, Inc.*, 807 F.3d 1353, 1363-64, 117 U.S.P.Q.2d 1269 (Fed. Cir. 2015).

<sup>43</sup>*Nike, Inc. v. Adidas AG*, 812 F.3d 1326, 1350, 117 U.S.P.Q.2d 1967 (Fed. Cir. 2016).

<sup>44</sup>*Nike, Inc. v. Adidas AG*, 812 F.3d 1326, 1339, 117 U.S.P.Q.2d 1967 (Fed. Cir. 2016).

“the Board should have explicitly acknowledged and evaluated Nike’s secondary considerations evidence.”<sup>45</sup> Notwithstanding, the Court recognized that “the Board operates under stringent time constraints” and clarified that “we do not hold that it is obliged to explicitly address conclusory and unsupported arguments raised by a litigant.”<sup>46</sup> Again, in *Veritas Techs. LLC v. Veeam Software Corp.*, the Court vacated and remanded the Board’s denial of the patent owner’s motion to amend on grounds that the Board’s “insistence that the patent owner discuss whether each newly added feature was separately known in the prior art” was not a reasonable, and thus arbitrary and capricious.<sup>47</sup> The Court reasoned “[w]e do not see how the Board could reasonably demand more from [the patent owner] in this case,” inquiring rhetorically “[w]hat would it have added that was not already so clear as to be beyond dispute . . . ?”<sup>48</sup> In its conclusion, the Court expressly noted that “[t]he Board rationale here is erroneous independently of any resolution of this court’s recently initiated en banc proceeding in *In re Aqua* . . . .”<sup>49</sup>

### § 15:23 Appeals from specific proceedings—Post-grant proceedings appealed to the Federal Circuit—Appealing statutory interpretation

Given the relatively recent vintage of post-grant proceedings under the AIA, the Federal Circuit has needed to decide many issues of first impression, most of which require interpretation of the AIA’s statutory text. These statutory issues thus far can be roughly grouped into issues related to the bar against appealing institution decisions, the Patent Office’s authority under the AIA, the transitional program for covered business method review, the scope of trial and related estopels, supplemental information, and aspects of the AIA challenged as unconstitutional.

The Federal Circuit’s statutory interpretation of the bar

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<sup>45</sup>*Nike*, 812 F.3d at 1339.

<sup>46</sup>*Nike*, 812 F.3d at 1339.

<sup>47</sup>*Veritas Technologies LLC v. Veeam Software Corporation*, 835 F.3d 1406, 1414, 120 U.S.P.Q.2d 1046 (Fed. Cir. 2016).

<sup>48</sup>*Veritas Technologies LLC v. Veeam Software Corporation*, 835 F.3d 1406, 1414, 120 U.S.P.Q.2d 1046 (Fed. Cir. 2016).

<sup>49</sup>*Veritas Technologies LLC v. Veeam Software Corporation*, 835 F.3d 1406, 1415, 120 U.S.P.Q.2d 1046 (Fed. Cir. 2016).

against appealing institution decisions has been reviewed and affirmed by the Supreme Court, as addressed in detail above. But the Supreme Court considered a second issue in *Cuozzo v. Lee*, involving the scope of the Patent Office's authorization under the AIA to prescribe regulations.<sup>1</sup> This issue arose in the context of whether the Patent Office's regulation promulgating use of the broadest reasonable interpretation (BRI) claim construction standard exceeded statutory authorization. Specifically, 35 U.S.C. § 316(a)(4) authorizes the Director to prescribe regulations "establishing and governing inter partes review under this chapter."<sup>2</sup> In construing this statutory provision, the Supreme Court noted that, with respect to the standard for claim construction, the statute contained "an express delegation of rulemaking authority, a gap that rules might fill, and ambiguity in respect to the boundaries of that gap."<sup>3</sup> The Supreme Court then found that the Office's adoption of the BRI standard in the form of its BRI regulation, 37 C.F.R. § 42.100(b), properly filled this gap and therefore constituted "a reasonable exercise of the rulemaking authority that Congress delegated to the Patent Office."<sup>4</sup>

The Federal Circuit has reviewed the definition of a "covered business method patent" as it relates to the Board's interpretation of AIA Section 18. For example, in *Versata Development Group, Inc. v. SAP America, Inc.*, the Court examined what Section 18 defined as a "covered business method patent."<sup>5</sup> As part of that review, it examined the relevant legislative history, and the Office's statements in its Final Rulemaking, which states that "the legislative history supported the proposition that the definition [of CBM] be broadly interpreted to encompass patents claiming activities that are financial in nature, incidental to a financial activity or comple-

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**[Section 15:23]**

<sup>1</sup>*Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131, 195 L. Ed. 2d 423, 119 U.S.P.Q.2d 1065 (2016).

<sup>2</sup>35 U.S.C. § 316(a)(4).

<sup>3</sup>*Cuozzo*, 136 S. Ct. at 2144.

<sup>4</sup>*Cuozzo*, 136 S. Ct. at 2144–45.

<sup>5</sup>*Versata Development Group, Inc. v. SAP America, Inc.*, 793 F.3d 1306, 1323–26, 115 U.S.P.Q.2d 1681 (Fed. Cir. 2015), cert. denied, 136 S. Ct. 2510, 195 L. Ed. 2d 841 (2016).

mentary to a financial activity.’”<sup>6</sup> The Court concluded that the statute “on its face covers a wide range of finance-related activities” and “[t]he statutory definition makes no reference to financial institutions as such, and does not limit itself only to those institutions.”<sup>7</sup>

The Court revisited CBM eligibility in *SightSound Techs., LLC v. Apple Inc.* In *SightSound*, the Court affirmed the Board’s conclusion that “a ‘financial activity’ not directed to money management or banking can constitute a ‘financial product or service’ within the meaning of the statute.”<sup>8</sup> Thus, the Court upheld the Patent Office’s interpretation that the application of CBM review was not limited to patent claims tied to the financial sector.<sup>9</sup>

With respect to the technological invention provision exempting certain patents from CBM review, the *Versata* Court noted that Congress expressly delegated authority to the Patent Office to define “technological inventions” for purposes of Section 18(d)(1).<sup>10</sup> In *Versata*, the Court then examined the Patent Office’s regulation on this term, 37 C.F.R. § 42.301(b), which provides that a patent claims a technological invention under Section 18(d)(1) if “the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art; and solves a technical problem using a technical solution.”<sup>11</sup> The Court also referred to the Patent Office’s Trial Practice Guide, which lists claim drafting techniques deemed insufficient to render a patent a technological invention, including: “(1) mere ‘recitation of known technologies’; (2) ‘reciting the use of known prior art technology’; and (3) ‘combining prior art structures to achieve the normal, expected, or predictable results of that

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<sup>6</sup>*Versata*, 793 F.3d at 1324.

<sup>7</sup>*Versata*, 793 F.3d at 1325.

<sup>8</sup>*SightSound Technologies, LLC v. Apple Inc.*, 809 F.3d 1307, 1315, 117 U.S.P.Q.2d 1341 (Fed. Cir. 2015), petition for certiorari filed (U.S. Oct. 11, 2016).

<sup>9</sup>*SightSound Techs.*, 809 F.3d at 1315.

<sup>10</sup>*Versata*, 793 F.3d at 1326 (citing AIA §§ 18(d)(1) and 18(d)(2), which provide that “the Director shall issue regulations for determining whether a patent is for a technological invention.”)

<sup>11</sup>*Versata*, 793 F.3d at 1326 (quoting 37 C.F.R. § 42.301(b)).

combination.’ ”<sup>12</sup> The Court also noted that performing otherwise well-known, conventional steps using a general purpose computer does not satisfy the exception, given that doing so “does not change the fundamental character of an invention.”<sup>13</sup>

In *Unwired Planet, LLC v. Google Inc.*, the Court held that when determining CBM eligibility, the Board is required to analyze whether the claims meet the text of the regulation, namely 37 C.F.R. § 42.301(a), as opposed to following a policy that would expand that definition beyond Congressional authorization.<sup>14</sup> Specifically, the Court vacated the Board’s determination that CBM eligibility was established where the challenged patent claimed activities “incidental to” or “complementary to” a financial activity as outside the “the narrow statutory definition.”<sup>15</sup>

The Federal Circuit also entertained various statute-based procedural issues during the first wave of appeals arising from the Board. One issue involved the propriety of partial institution decisions; that is, whether it is appropriate to institute trial on fewer than all grounds asserted in a petition seeking review. This issue came before the Court after it had decided in *In re Cuozzo* and *Versata*; two decisions that form the foundation for assessing whether the Court has jurisdiction to review issues at least initially decided at the institution phase of a post-grant proceeding.

Specifically, in *Synopsys, Inc. v. Mentor Graphics Corp.*, the Court concluded that whether the Board could institute on fewer than all grounds asserted in the petition was appealable because the challenge arose from the final written

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<sup>12</sup>*Versata*, 793 F.3d at 1326 (quoting 77 Fed. Reg. 48756, 48764 (Aug. 14, 2012)).

<sup>13</sup>*Versata*, 793 F.3d at 1327 (citing *Alice Corp. Pty. Ltd. v. CLS Bank Intern.*, 134 S. Ct. 2347, 189 L. Ed. 2d 296, 110 U.S.P.Q.2d 1976 (2014)); see also *SightSound*, 809 F.3d at 1315 (agreeing that “a combination of known technologies does not amount to a ‘technological invention’ within the meaning of the statute”).

<sup>14</sup>*Unwired Planet, LLC v. Google Inc.*, 841 F.3d 1376 (Fed. Cir. 2016)

<sup>15</sup>*Unwired Planet, LLC v. Google Inc.*, 841 F.3d 1376, 1381 (Fed. Cir. 2016)

decision.<sup>16</sup> The Court analyzed the relevant statutory provision, 35 U.S.C. § 318(a), and concluded that “the text makes clear that the claims that the Board must address in the final decision are different than the claims raised in the petition” and “the statute is quite clear that the PTO can choose whether to institute inter partes review on a claim-by-claim basis.”<sup>17</sup> Accordingly, the Court held that the plain language of the statute “demonstrates that the Board need only issue a final written decision with respect to claims on which inter partes review has been initiated and which are challenged by the petitioner after the institution stage” and that “the initiation decision be made on a claim-by-claim basis and that the Board can pick and choose among the claims in the decision to institute.”<sup>18</sup>

The Court similarly held in *Harmonic Inc. v. Avid Tech., Inc.*, that the Board did not exceed its authority in declining to institute trial on certain grounds that it deemed “redundant” with other instituted grounds.<sup>19</sup> This involved an assessment of 37 C.F.R. § 42.108, which provides that “[w]hen instituting inter partes review, the Board may authorize the review to proceed on . . . all or some of the grounds of unpatentability asserted for each claim.”<sup>20</sup> The Court first found that it lacked jurisdiction to review the Board’s assessment as to which grounds it selected for trial, explaining that “instituting on some grounds, but not others” does not take the issue “out of the realm of an institution decision and into that of a case management decision, which [appellant] asserts we have jurisdiction to review for an abuse of discretion.”<sup>21</sup> The Court explained that “[i]n its use of the term redundant, the Board suggested nothing more than that the claims addressed by the non-instituted grounds were already addressed by the instituted ground.”<sup>22</sup> Beyond declining to review the Board’s decision with respect to the grounds selected for trial, the

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<sup>16</sup>*Synopsys, Inc. v. Mentor Graphics Corp.*, 814 F.3d 1309, 117 U.S.P.Q.2d 1753 (Fed. Cir. 2016).

<sup>17</sup>*Synopsys*, 814 F.3d at 1315.

<sup>18</sup>*Synopsys*, 814 F.3d at 1315–16.

<sup>19</sup>*Harmonic Inc. v. Avid Technology, Inc.*, 815 F.3d 1356, 118 U.S.P.Q.2d 1198 (Fed. Cir. 2016).

<sup>20</sup>37 C.F.R. § 42.108.

<sup>21</sup>*Harmonic*, 815 F.3d at 1366.

<sup>22</sup>*Harmonic*, 815 F.3d at 1367.



Court observed that 35 U.S.C. § 316(b) includes a mandate to “consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings . . . .”<sup>23</sup> The Court concluded that the Office reasonably interpreted Section 316(b) and promulgated rules allowing it to efficiently administer post-grant proceedings and complete them in a timely fashion. In this case, Rule 42.108 authorized the Board to reduce the number of grounds to exclude some it deemed “redundant.”<sup>24</sup>

The above decisions involving partial institution dovetail with other decisions interpreting the statutory estoppel provisions applicable to petitioners, including whether those estoppels apply to grounds raised in a petition that are denied at the institution phase. These decisions are discussed at length in Chapter 11, which covers post-final written decision practice and estoppels.

The Court has also evaluated the Patent Office’s regulation governing motions to submit supplemental information after a petition is filed. In *Redline Detection, LLC v. Star Envirotech, Inc.*, the Court reviewed the relevant statutory provision, 35 U.S.C. § 316(a)(3) and found that the Patent Office’s implementing regulation, 37 C.F.R. § 42.123(a), was a reasonable interpretation of the statute.<sup>25</sup> The Court then evaluated whether the Board’s decision denying a motion to submit supplemental information was an abuse of discretion or otherwise arbitrary and capricious. The Court ultimately concluded that the Board did not violate its own regulation or abuse its discretion in denying the petitioner’s motion, notwithstanding that the petitioner may have satisfied the criteria set forth in the regulation. In this regard, the Court noted that the Board has substantial discretion to deny a motion that contravenes competing statutory or regulatory provisions, such as the mandate to ensure efficient administration and completion in a timely manner.<sup>26</sup> Further, the Court

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<sup>23</sup>*Harmonic*, 815 F.3d at 1368.

<sup>24</sup>*Harmonic*, 815 F.3d at 1367.

<sup>25</sup>*Redline Detection, LLC v. Star Envirotech, Inc.*, 811 F.3d 435, 117 U.S.P.Q.2d 1410 (Fed. Cir. 2015).

<sup>26</sup>*Redline Detection*, 811 F.3d at 445.

observed that nothing requires that a motion be granted “no matter the circumstance.”<sup>27</sup>

The Federal Circuit has also entertained a mix of constitutional challenges. In *Ethicon Endo-Surgery, Inc. v. Covidien LP* the Court held that the Office did not violate the Fifth Amendment when it conducted post-grant proceedings in accordance with its practice of having a the same panel of three administrative patent judges decide whether to institute and the merits.<sup>28</sup> First, the Court found that it had jurisdiction to review the issue because the complaint arose from a final written decision.<sup>29</sup> Second, the Court disagreed that having the same judges institute trial and also decide the merits violated the patentee’s due process rights by depriving it of an impartial decision maker.<sup>30</sup> The Court observed that “[t]here is no allegation of exposure to extra-judicial information” and “[w]e see no due process concerns in combining the functions of initial decision and final disposition in the same Board panel.”<sup>31</sup> The Court also dismissed various statutory arguments based on who received authorization to make the determinations, first, at the institution phase and, ultimately, on whether the claims are patentable. After reviewing the statute and its context, the Court found that “both as a matter of inherent authority and general rulemaking authority, the Director had authority to delegate the institution decision to the Board.”<sup>32</sup>

In *MCM Portfolio LLC v. Hewlett-Packard Co.* the Court held that Congress did not violate the Seventh Amendment by assigning adjudication in post-grant proceedings to an administrative agency without providing for trial by jury in an Article III court.<sup>33</sup> The Court found that nothing reasonably flowing from the Constitution forbids Congress from granting the Pa-

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<sup>27</sup>*Redline Detection*, 811 F.3d at 444–45.

<sup>28</sup>*Ethicon Endo-Surgery, Inc. v. Covidien LP*, 812 F.3d 1023, 117 U.S.P. Q.2d 1639 (Fed. Cir. 2016).

<sup>29</sup>*Ethicon Endo-Surgery*, 812 F.3d at 1028–29.

<sup>30</sup>*Ethicon Endo-Surgery*, 812 F.3d at 1029.

<sup>31</sup>*Ethicon Endo-Surgery*, 812 F.3d at 1031.

<sup>32</sup>*Ethicon Endo-Surgery*, 812 F.3d at 1033.

<sup>33</sup>*MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284, 117 U.S.P. Q.2d 1284 (Fed. Cir. 2015), cert. denied, 137 S. Ct. 292 (2016).

tent Office authority to correct or cancel an issued patent.<sup>34</sup> Accordingly, “[b]ecause patent rights are public rights, and their validity susceptible to review by an administrative agency, the Seventh Amendment poses no barrier to agency adjudication without a jury.”<sup>35</sup>

### § 15:24 Interlocutory appeals from stay decisions resulting from covered business method proceedings

A party cannot petition for an IPR or PGR on a patent claim if it has already filed a declaratory judgment action seeking to invalidate that patent claim.<sup>1</sup> If the party first seeks an IPR or PGR and then files the declaratory judgment action, the district court is required to stay the action until the patent owner moves to lift the stay, accuses the petitioner of infringement, or moves to dismiss the action.<sup>2</sup> These provisions appear fairly straightforward, and the stay decisions appear to be falling within the traditional standards exercised by judges, who have traditionally had great discretion in control over their dockets. The Federal Circuit, when presented with such decisions for review, will apply the “abuse of discretion” standard.<sup>3</sup> Section 18 of the AIA, however, sets forth some unique stay provisions not found in IPR or PGR proceedings.

As set forth in Chapters 2 and 3, AIA Section 18 covers the “Transitional Program for Covered Business Method Patents,” which is a transitional post-grant proceeding for covered business method patents (CBM).<sup>4</sup> It provides a special stay provision should either party seek a stay of a patent infringement suit pending the outcome of a CBM patent review.

Specifically, a party can move for a stay of the infringement

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<sup>34</sup>*MCM Portfolio*, 812 F.3d at 1292–93.

<sup>35</sup>*MCM Portfolio*, 812 F.3d at 1293.

#### [Section 15:24]

<sup>1</sup>35 U.S.C. §§ 315(a), 325(a) (post-AIA).

<sup>2</sup>35 U.S.C. §§ 315(a), 325(a) (post-AIA).

<sup>3</sup>See, e.g., *Murata Machinery USA v. Daifuku Co., Ltd.*, 830 F.3d 1357, 95 Fed. R. Serv. 3d 195 (Fed. Cir. 2016) (observing that the ability to stay cases is an exercise of a court’s inherent power to manage its own docket and holding that the district court did not abuse its declining to lift a stay pending inter partes review).

<sup>4</sup>Section 18 is discussed in detail in Chapters 2 and 3.

action if the asserted patent is undergoing a CBM review. By statute, the district court must decide whether to enter the stay based on four explicitly delineated factors:

- (A) whether a stay, or the denial thereof, will simplify the issues in question and streamline the trial;
- (B) whether discovery is complete and whether a trial date has been set;
- (C) whether a stay, or the denial thereof, would unduly prejudice the nonmoving party or present a clear tactical advantage for the moving party; and
- (D) whether a stay, or the denial thereof, will reduce the burden of litigation on the parties and on the court.<sup>5</sup>

The AIA's four-factor test was taken from an unpublished 2006 patent case in the District of Colorado, *Broadcast Innovation L.L.C. v. Charter Communications*.<sup>6</sup> About four months before the remanded trial was set to take place, the defendants filed a request for reexamination with the Office and immediately filed a motion to stay the district court action.<sup>7</sup> The decision on the motion listed a number of factors that seemed to weigh against granting a stay (e.g., the litigation had been ongoing for over eight years, the trial date was set and was less than two months away, and discovery was completed), but the Federal Circuit found that "judicial economy" heavily outweighed all other factors, and the trial was stayed pending the outcome of the reexamination.<sup>8</sup>

Ultimately, the determination of whether to grant a stay is fact dependent and is evaluated on a case by case basis, and Section 18 does not *require* a stay in all instances. Nonetheless, the statute places a "heavy thumb on the scale in favor

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<sup>5</sup>Pub. L. No. 112-29, § 18(b)(1).

<sup>6</sup>*Broadcast Innovation, L.L.C. v. Charter Communication, Inc.*, 2006 WL 1897165 (D. Colo. 2006). See 157 Cong. Rec. S1364 (Mar. 8, 2011) (statement of Sen. Schumer) (referencing *Broadcast Innovation* as the basis for Section 18(b)(1)) and 157 Cong. Rec. S1380 (Mar. 8, 2011) (statement of Sen. Kyl) (referencing *Broadcast Innovation* as the basis for Section 18(b)(1)).

<sup>7</sup>*Broadcast Innovation, L.L.C. v. Charter Communication, Inc.*, 2006 WL 1897165, \*1 (D. Colo. 2006).

<sup>8</sup>*Broadcast Innovation, L.L.C. v. Charter Communication, Inc.*, 2006 WL 1897165, \*12 (D. Colo. 2006).

of a stay being granted.”<sup>9</sup> In addition to having the statute explicitly delineate the factors, either party has an *automatic right to file an interlocutory appeal* to the Federal Circuit of the stay decision.<sup>10</sup> Specifically, Section 18 includes a jurisdictional statement stating that the Federal Circuit “shall review the district court’s decision to ensure consistent application of established precedent” and “such review may be de novo.”<sup>11</sup> The statute’s permissive use of the phrase “*may be de novo*” prompted the Federal Circuit to consider the standard of review in the first stay orders appealed.<sup>12</sup> We summarize the key cases below.

In *VirtualAgility Inc. v. Salesforce.com, Inc.*, the Federal Circuit reversed a district court’s order denying a motion to stay litigation pending an instituted CBM review.<sup>13</sup> The district court held in its order that certain factors weighed against a stay because the judge was “not convinced” by the Board’s institution decision.<sup>14</sup> On appeal, the Federal Circuit analyzed the statutory text and legislative history, reasoning that the district court “erred as a matter of law to the extent that it decided to ‘review’ the PTAB’s determination that the claims of [the patent at issue] are more likely than not invalid.”<sup>15</sup> The Court observed that “a challenge to the PTAB’s ‘more likely than not’ determination at this stage amounts to an improper collateral attack on the PTAB’s decision to institute CBM review . . . Congress clearly did not intend district courts to hold mini-trials reviewing the PTAB’s decision on the merits

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<sup>9</sup>57 Cong. Rec. S1363 (daily ed. Mar. 8, 2011) (statement of Sen. Schumer).

<sup>10</sup>Pub. L. No. 112-29, § 18(b)(2). While unusual, interlocutory appeal as of right is not without precedent. A number of other statutes provide for an interlocutory appeal, and the Federal Circuit already hears interlocutory appeals for district court orders granting or denying injunctions under 28 U.S.C.A. § 1292(a) and (c). Under section 1292(b), the Federal Circuit has the discretion to hear interlocutory appeals in cases certified by the district court as involving a controlling question of law that needs resolving and also would materially advance the case.

<sup>11</sup>Pub. L. No. 112-29, § 18(b)(2).

<sup>12</sup>Pub. L. No. 112-29, § 18(b)(2) (emphasis added).

<sup>13</sup>*VirtualAgility Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307, 111 U.S.P. Q.2d 1763 (Fed. Cir. 2014).

<sup>14</sup>*VirtualAgility*, 759 F.3d at 1310–11.

<sup>15</sup>*VirtualAgility*, 759 F.3d at 1313.

of the CBM review.”<sup>16</sup> After evaluating each of the statutory factors, the Court concluded that they weighed heavily in favor of a stay and the district court had “abused its discretion” in denying the motion.<sup>17</sup> Judge Newman dissented on grounds that more deference should have been afforded to the district court’s assessment.<sup>18</sup> The majority responded that her objection was moot because the Court applied the more deferential “abuse of discretion” standard, leaving it for later panels to decide whether less deference is appropriate.<sup>19</sup>

The Federal Circuit addressed the proper standard of review in *Benefit Funding Systems v. Advance America Cash* when it affirmed a district court’s order staying a litigation pending CBM review.<sup>20</sup> The Court noted that traditionally district court decisions on motions to stay pending proceedings before the Office are reviewed for an abuse of discretion.<sup>21</sup> The Court explained, however, that “[t]he AIA . . . provides this court with the authority to conduct more searching review of decisions to stay pending CBM review.”<sup>22</sup> This suggests that the Court will apply something more than the traditional abuse of discretion standard. Independent of this, the appellant argued that a stay should have been denied because the Patent Office lacked authority to review Section 101 grounds in a CBM review. Relying on *VirtualAgility*, the Court reinforced that attempts to collaterally attack the Patent Office’s decision to institute, or its authority to conduct post-grant proceedings, are not proper grounds to avoid a stay.<sup>23</sup> On this point, the Court responded: “A district court, in the context of a stay determination, need not and should not analyze whether the PTAB might, at some later date, be determined to have acted outside its authority in instituting and conducting the CBM review” and “[a]ppellants might potentially challenge that

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<sup>16</sup>*VirtualAgility*, 759 F.3d at 1313.

<sup>17</sup>*VirtualAgility*, 759 F.3d at 1320.

<sup>18</sup>*VirtualAgility*, 759 F.3d at 1321.

<sup>19</sup>*VirtualAgility*, 759 F.3d at 1310.

<sup>20</sup>*Benefit Funding Systems LLC v. Advance America Cash Advance Centers Inc.*, 767 F.3d 1383, 112 U.S.P.Q.2d 1336 (Fed. Cir. 2014).

<sup>21</sup>*Benefit Funding Systems*, 767 F.3d at 1385.

<sup>22</sup>*Benefit Funding Systems*, 767 F.3d at 1385.

<sup>23</sup>*Benefit Funding Systems*, 767 F.3d at 1385.

authority in the context of a direct appeal of the PTAB's final decision."<sup>24</sup>

In *Intellectual Ventures II LLC v. JPMorgan Chase & Co.*, the Federal Circuit dismissed an interlocutory appeal of a denied motion to stay the underlying litigation.<sup>25</sup> The Court held that the statutory provision governing stays only authorized review of *instituted* covered business method review proceedings.<sup>26</sup> Specifically, the Court analyzed the statute, the relevant legislative history, and the Patent Office's regulations and noted that the text only authorized interlocutory review of a CBM review "proceeding."<sup>27</sup> The Court differentiated between the filing of a petition for CBM review and "the act of instituting such a proceeding," which only the Director or her delegate is authorized to do.<sup>28</sup> Accordingly, "[b]ecause the Director decides whether to 'institute,' or begin, a CBMR proceeding, and necessarily bases that decision on the strength of the petition, the petition itself cannot substitute for the exercise of the Director's discretion."<sup>29</sup> Judge Hughes dissented from the majority opinion on grounds that he believed its narrow textual analysis "is at odds with the overall purpose of the AIA and the specific purpose of the CBM procedure."<sup>30</sup>

### § 15:25 Practice at the Federal Circuit

All practitioners before the Federal Circuit need to be aware of some basic features of handling a case before that court. The Federal Circuit generally follows the Federal Rules of Appellate Procedure, with exceptions set forth in its local rules, the Federal Circuit Rules. The Court's rules are available on the Federal Circuit's website and they include generally helpful practice tips at the end of each major section. The Federal Circuit's website also hosts a variety of information, including relevant links, recording of oral arguments, opinions and orders, biographies of the sixteen Federal Circuit judges as

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<sup>24</sup>*Benefit Funding Systems*, 767 F.3d at 1386.

<sup>25</sup>*Intellectual Ventures II LLC v. JPMorgan Chase & Co.*, 781 F.3d 1372, 114 U.S.P.Q.2d 1387 (Fed. Cir. 2015).

<sup>26</sup>*Intellectual Ventures II*, 781 F.3d at 1376–79.

<sup>27</sup>*Intellectual Ventures II*, 781 F.3d at 1376–79.

<sup>28</sup>*Intellectual Ventures II*, 781 F.3d at 1376.

<sup>29</sup>*Intellectual Ventures II*, 781 F.3d at 1376.

<sup>30</sup>*Intellectual Ventures II*, 781 F.3d at 1379–80.

well as information on courtroom decorum. The Clerk's Office is located on the fourth floor of the court building.

The most important stage of the appeal is the briefing stage. The Federal Circuit follows a standard appellate briefing scheme with the appellant first submitting a principal brief (blue), followed by the respondent's principal brief (red), followed by an appellant's reply brief (grey). If there is a cross-appeal, then there will be one more brief (yellow) for the appellant's response, before the final reply brief. The Federal Circuit has moved to electronic filing of briefs as of May 17, 2012, and has updated its rules to adopt electronic filing procedures, effective for appeals docketed on or after April 1, 2016. All practitioners must register and comply with the electronic filing procedures unless certain limited exceptions are met.

After briefing is complete and the joint appendix has been submitted, the next milestone is the oral argument. Fundamentally, oral argument is an opportunity for the Court to address any issues it feels necessary to decide the case. It is common wisdom that cases are seldom won at the oral hearing, but can be lost at the oral hearing. Preparation should be rigorous and the authors highly recommend undertaking a series of mock arguments before the hearing.<sup>1</sup>

The Federal Circuit hears oral arguments the first full week of each month, commonly referred to as "argument week" or "court week." The full schedule of argument weeks is posted at the website. Each panel will typically hear a set of cases in the morning, with proceedings for the day commencing promptly at 10AM. A typical set of cases will consist of six cases, four of which are argued, with the remaining two submitted on the briefs. Most oral hearings are conducted at the Federal Circuit courthouse in Washington, D.C. The Federal Circuit, however, will periodically sit at other locations around the country. Not all of those locations are as well-equipped as the Federal Circuit's facilities, with hearings being held in, for example, a law school auditorium.

Appealed cases are randomly assigned to three-judge

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**[Section 15:25]**

<sup>1</sup>An excellent resource for oral hearing preparation generally is: Antonin Scalia & Bryan A. Garner, *Making Your Case: The Art of Persuading Judges* (1st ed. 2008).



panels when the case is docketed, after all briefing is complete. But parties to an appeal will not know which judges have been assigned to their case until the morning of oral argument, when the panel hearing each case is first published. Oral arguments proceed in a fashion similar to other federal Courts of Appeal. Each side is allotted 15 minutes of argument time, which may be extended at the sole discretion of the panel. Parties are required to check in with the Clerk's Office on the fourth floor on the morning of the oral hearing. Prior to the oral argument, parties submit their allocation of time, as appellants may reserve time for rebuttal. Parties appearing solely as appellee cannot reserve time.

When arguing at the Federal Circuit, each lectern has a small timer that allows attorneys to monitor their allotted time. Practitioners at the Federal Circuit should expect the panel to be well-prepared and engaged. The norm is for the panel to ask many questions, and it is not uncommon for an attorney to be interrupted by a question within seconds of starting her argument. These questions will generally reflect the particular concerns that each judge may have after reading the parties' briefs. It should not be assumed that a judge's question is simply intellectual gamesmanship, but is more likely raising a real concern a judge may have about a party's case. For that reason, it is best to always and directly answer the question posed before returning to a different issue. One should not attempt to dodge or deflect questions.

Immediately following each session, the panel will typically retire to a private conference where votes are taken on the disposition of each case argued. Based on the votes, the senior judge on the panel will assign the opinion to a judge of the panel majority. Thus, the outcome of the case is usually known by the panel on the day of the argument.

There are three primary ways in which the Federal Circuit can resolve a case. First, the rules allow for a "Rule 36 affirmance." This is a single order that simply affirms the lower tribunal's determination, without any explanation on the merits. Second, the panel can issue a non-precedential opinion. Such opinions issue typically two to three months after the hearing. They are reserved for cases that do not present any new law or otherwise merit the full attention of the Federal Circuit. Finally, the panel can issue a precedential decision. Precedential decisions are circulated to the entire Federal Circuit for review prior to public distribution.

A Rule 36 affirmance or a panel decision does not immediately end the case. The losing party may seek a panel rehearing or a rehearing en banc. It is also possible for the Federal Circuit, on its own, to request en banc consideration. It is difficult to obtain a panel rehearing or rehearing en banc absent unusual circumstances that put important or unresolved issues squarely before the Federal Circuit. This is generally rare in cases appealed from the Office, but the Federal Circuit has recently shown an increased propensity for en banc rehearing where it thinks it can advance or resolve outstanding legal issues, or where a panel decision appears to conflict with a prior panel decision. It is not unreasonable to expect en banc disposition of major issues arising out of the AIA and practitioners should be aware of such cases, or opportunities for such cases.

### § 15:26 Statistics

The Federal Circuit keeps statistics on its overall caseload broken down by major origin and category. The Court also keeps detailed statistics on pendency and other operational measures. These statistics are available on the Federal Circuit's website.<sup>1</sup> As relevant to appeals from the Office, we present and discuss some of these official statistics, as well as original statistics.

Figure 1 below shows the number of appeals filed by major origin from FY 2006 to FY 2015.<sup>2</sup> One can readily see a significant increase in appeals from the U.S. Patent & Trademark between FY 2013 and FY 2015. This increase is directly attributable to appeals taken from AIA post-grant proceedings.<sup>3</sup> Specifically, in 2013, the Federal Circuit's Office caseload was under 150 appeals per year. In 2014, it shot up

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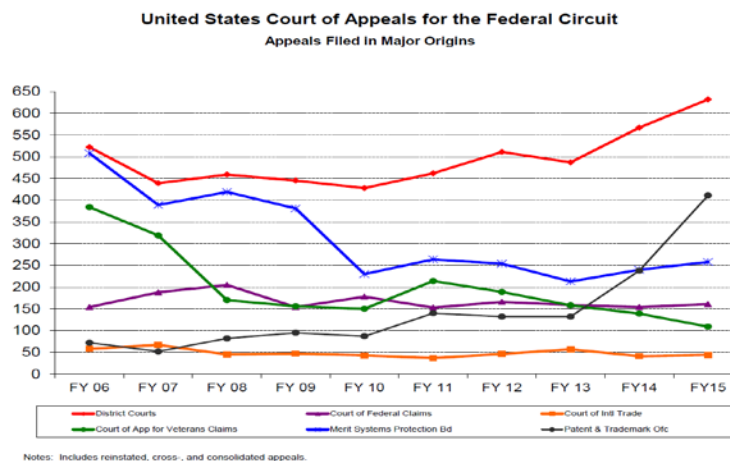
#### [Section 15:26]

<sup>1</sup>U.S. COURT OF APPEALS FOR THE FEDERAL CIRCUIT, Official Statistics, <http://www.cafc.uscourts.gov/the-court/statistics> (last accessed, October 26, 2016).

<sup>2</sup>U.S. COURT OF APPEALS FOR THE FEDERAL CIRCUIT, *Caseload, by Major Origin: Appeals Filed from Five Originating Courts and Agencies for the Last Ten Fiscal Years*, available at [http://www.cafc.uscourts.gov/sites/default/files/the-court/statistics/appeals filed in major origins 10-year 06-15.pdf](http://www.cafc.uscourts.gov/sites/default/files/the-court/statistics/appeals%20filed%20in%20major%20origins%2010-year%2006-15.pdf) (last accessed, October 26, 2016).

<sup>3</sup>Based on statistics maintained by Sterne Kessler, in 2014, of the Office appeals docketed 104 were from IPR and CBM proceedings. In 2015, that number rose to 309. As of August 15, 2016, that number was already

to almost 250. By 2015, it exceeded 400. Thus, since the AIA, the Federal Circuit has more than doubled its historical caseload of appeals from the Office.



As shown, the number of appeals from the Office appears to be steadily increasing starting in FY 2007. As many predicted, this number began to shoot upwards as appeals from post-grant proceedings reached the Federal Circuit beginning in 2013. Consistent with this, Figure 2 and Figure 3 below show the distribution in percentages, comparing FY 2012 with FY 2015 in terms of the composition of the Federal Circuit's overall caseload.<sup>4</sup> As indicated in Figures 2 and 3, patent appeals from the Office were only 8% of the Court's total caseload in FY 2012. In FY 2015, however, this segment

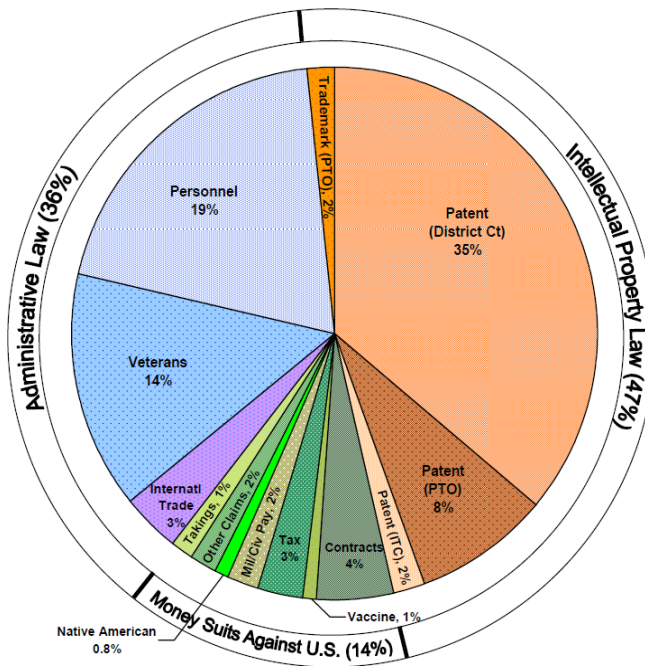
at 300, which can be extrapolated to an estimated 424 for 2016. That said a large number of Office appeals are still arising from inter partes reexamination proceedings. For example, the Office received a "spike of several hundred requests for inter partes reexamination in the days leading up to the September 16, 2012 cutoff." Pauline M. Pelletier, *The Impact of Local Patent Rules on Rate and Timing of Case Resolution Relative to Claim Construction: An Empirical Study of the Past Decade*, 8 J. BUS. & TECH. L. 451, 473 (2013). While it may take five years or more for this surge to reach the Federal Circuit, their arrival is now on the horizon.

<sup>4</sup>U.S. COURT OF APPEALS FOR THE FEDERAL CIRCUIT, *Caseload Pie Chart (2012)*, available at [http://www.cafc.uscourts.gov/sites/default/files/the-court/statistics/Caseload by Category Appeals Filed 2012.pdf](http://www.cafc.uscourts.gov/sites/default/files/the-court/statistics/Caseload%20by%20Category%20Appeals%20Filed%202012.pdf) (last accessed, October 26, 2016) (Figure 2 supra) and U.S. COURT OF APPEALS FOR THE FEDERAL CIRCUIT, *Caseload Pie Chart (2015)*, available at <http://www.cafc.uscourts.gov/sites/default/files/Caseload%20by%20Category%202015%29.pdf> (last accessed, October 26, 2016) (Figure 3 supra).

increased dramatically to 24%—making up almost a quarter of the Federal Circuit’s overall docket. Notably, this does not include patent cases arising from district courts.

**United States Court of Appeals for the Federal Circuit**

Appeals Filed, by Category  
FY 2012





Based on statistics maintained by Sterne Kessler updated in August of 2016, the number of petitions filed seeking inter partes review, covered business method review, and post-grant review currently averages 1,000 annually. Of those 1,000 petitions, roughly 50% proceed to a final written decision on the merits. While the appeal rate varies substantially from period to period, one or both parties appeal a final written decision between 50-60% of the time. This accounts for roughly 250 appeals per year that never existed before the AIA. Of those, the vast majority are appeals pursued by patent owners, approximately 80%. Only about 10% are appeals taken by petitioners alone, and another 10% are cross-appeals. Like the underlying composition of the Board's docket, roughly 72% of the appeals involve electrical, communications, computer, and software technology, 16% involve chemical or biotechnology, and 12% involve mechanical or design technology.

Post-grant proceedings on appeal are faring roughly as one would expect, based on the historically high affirmance rate of Office decisions. For example, based on all appeals from reexaminations decided between 2011 and 2016, 70% of inter partes reexamination decisions were affirmed by the Federal Circuit (with 53% of those being Rule 36 affirmances) and 94% of ex parte reexamination appeals were affirmed by the Federal Circuit (with 68% of those being Rule 36 affirmances). As of August 15, 2016, the Federal Circuit had decided 134 appeals from AIA post-grant proceedings, affirming 84% of them (with 63% of those being Rule 36 affirmances). The reversal rate was at 8%, as was the remand rate. The Federal Circuit had also decided 13 petitions for writ of mandamus taken from post-grant proceedings and denied all of them.