

MORE ON **PATENTS**

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Covering new terrain: Early lessons from the first wave of PTAB appeals to the Federal Circuit

NEW TERRAIN IN PATENT LAW brought about by the America Invents Act (AIA) in 2011 is now being opened up at the appellate level. Hundreds of post-grant trials at the Patent Trial and Appeal Board (PTAB), created under the AIA to review patentability of issued patents, have received a final written decision. A wave of PTAB appeals—some say a tsunami—is now before the Federal Circuit.

For companies and patent owners two areas are illuminating: the appeal pipeline and the limits of appellate review. Let's take each in turn.

PTAB Appeal Pipeline

The volume of PTAB appeals to the Federal Circuit is surprising. So far, a 50/50 rule of thumb is emerging. About 50 percent of AIA trials reach a final written decision on the merits. Of those cases, about 50-60% are being appealed to the Federal Circuit.

This impact is significant. If the current run rate holds, roughly every 1000 post-grant petitions (IPR, CBM, or PGR) filed each year will result in about 250 PTAB cases appealed each year. This translates into roughly 20 extra cases per court week, or, in other words, *one extra panel per day* at the Federal Circuit dedicated to AIA generated PTAB appeals.

The outcomes of these appeals are telling. As of this writing in April 2016, 117 PTAB AIA cases

were submitted to the Federal Circuit—and 96 decided. The affirmance rate is 84 percent, which is not surprising given the deference applied in appellate review. Of the cases affirmed, 60 percent were under Rule 36 with no opinion authored, 22 percent were decided with a non-precedential opinion and 17 percent were precedential. Only about 6 percent of PTAB final written decisions were reversed and nine percent remanded. Appellants have been most successful on issues of claim construction where *de novo* review was available.

Limits of Review

Congress provided for appellate review of the final written decisions of AIA post-grant proceedings by statute. 35 U.S.C. §§ 319, 329. The combination of new statutes and new proceedings under the AIA has already

raised a number of cases of first impression on appeal.

One area that has been instructive is the limits of appellate review. In other words, which aspects of PTAB practice and decision making are reviewable and which are not. Signposts have now emerged in several key decisions by the Federal Circuit.

The Federal Circuit has made clear that initial decisions by the PTAB on whether to institute trial is final and not appealable. *St. Jude Med. Inc., v. Volcano Corp.*, 749 F. 3d. (Fed. Cir. 2014).

Distinctions occur for cases that do reach final written decision. One exception is where CBM eligibility decided in an institution decision that proceeded to final written decision was found to implicate the Board's "invalidation authority" and be reviewable on appeal. *Versa Dev. Grp. Inc., v. SAP Am., Inc.*, 793 F.3d. 1306 (Fed. Cir. 2015). The Supreme Court may address the more general question of whether the institution is reviewable when the Board exceeds its statutory authority in instituting an IPR. *See, Cuozzo Speed Technologies, LLC, v. Lee*, 793 F.3d 1268 (Fed. Cir. 2015), cert. granted.

Board decisions involving timing or procedural aspects of PTAB trials like rulings on the one-year bar date for IPR have generally been found to be not reviewable by the Federal Circuit. *See, Achatos Reference Publ'g, Inc. v. Apple Inc.*, 803 F.3d 652 (Fed. Cir. 2015).

In addition to whether an issue is even reviewable, the Federal Circuit has affirmed or clarified different aspects of PTAB trial practice. These include finding the restrictive PTAB amendment practice reasonable and affirming the use of the broadest reasonable interpretation for claim construction (on appeal though cert. granted in *Cuozzo*).

Longer term impacts of a PTAB trial have been addressed too. In a recent decision that may make it even more likely for companies to seek *inter partes* or post grant review, the Federal Circuit found statutory estoppel provisions do not reach grounds denied by the Board as "redundant" at the institution stage. *Shaw Indus. Grp., Inc. v. Automated Creel Sys., Inc.*, No. 2015-1116, 2016 WL 1128083 at *5 (Fed. Cir. Mar. 23, 2016).

Over three years after the AIA post-grant trials started, the contours of appellate review are

taking shape. Surprising lessons for those relying on these AIA trials (innovators, patent owners, licensees and defendants) have already occurred with more to come.

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