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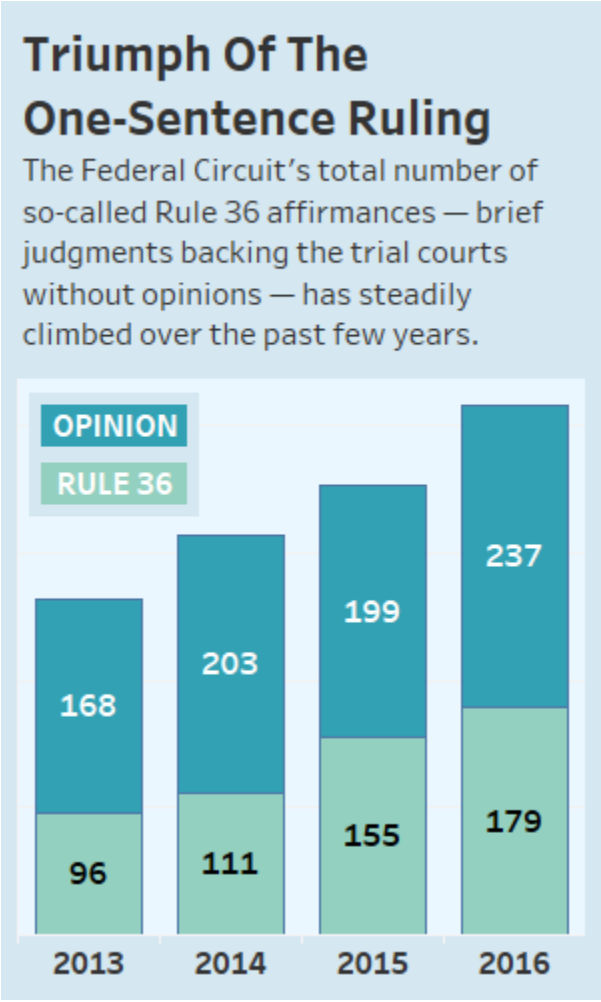
Fed. Circ. Issuing More 'Hidden Decisions' Amid Case Influx

By **Matthew Bultman**

Law360, New York (March 1, 2017, 12:06 PM EST) -- The number of patent cases where the Federal Circuit affirmed a ruling without issuing an opinion continued to climb in 2016, adding fuel to the debate over whether these "hidden decisions" are a growing problem or a natural and necessary way for the court to deal with a surge of cases.

According to statistics compiled by Law360, the rate at which Federal Circuit panels affirmed patent decisions from the Patent Trial and Appeal Board or a district court without explaining their reasoning appears to have stabilized after a recent upswing. The rate was 43 percent last year, almost identical to what it was in 2015.



But as court's caseload continues to swell, this has translated to a larger number of such judgments. The appeals court last year issued summary affirmances in patent appeals 179 times, up from 155 such decisions in 2015 and almost double the number from 2013.

The increase, a source of concern for some, has no doubt left more parties walking away from the court feeling dissatisfied after an appeal. Speaking to being on the losing end of such a judgment, John Dragseth, a principal at Fish & Richardson PC, put it like this: "It's not as bad as your dog dying, but it's close."

'Affirmed'

Federal Circuit rules give the court the authority to issue an affirming judgment without an opinion. These so-called Rule 36 decisions have

just a single word — "affirmed" — and lack any explanation of the court's holding.

There is an unwritten rule that litigants not represented by attorney will get an opinion, several attorneys said. Otherwise, a series of conditions exist. Generally, Rule 36 is used "where is it not necessary to explain, even to the loser, why he lost," former Federal Circuit Chief Judge Howard Markey once said.

The increasing volume of Rule 36 judgments isn't necessarily a surprise. Several court observers predicted as much in the wake of the America Invents Act, which created popular new proceedings for challenging patents, and a new body, the PTAB, to conduct them.

A surge of appeals from the U.S. Patent and Trademark Office since the passage of the act has had a noticeable effect on the Federal Circuit's docket. Since AIA reviews became available in 2012, the number of patent cases decided by the court has steadily risen, from 264 in 2013 to 416 in 2016.

With the increasing demands on judges and their clerks, Rule 36 appears to be crucial tool for the court, said Jon Wright, co-chair of the appellate practice at Sterne Kessler Goldstein & Fox PLLC.

"When you look at the sheer volume of cases that it has ... if the court had to write an opinion, even a nonprecedential opinion, in every case or a majority of the cases, the functioning of the court would grind to a halt almost," he said. "It would be impossible for the court to do."

Some commentators contend the court is using Rule 36 in cases that are not appropriate for a summary affirmance, compromising involved parties' right to a full and fair appeal. There are also those who say the judgments represent missed opportunities for the court to provide clarity on some developing areas of the law, such as PTAB trials and patent eligibility under Section 101 of the Patent Act.

"Hiding behind this procedural tool that makes their docket more manageable only allows the real problems facing the patent system to fester like an open wound," Gene Quinn, a patent attorney, and Peter Harter, founder of consulting firm The Farrington Group, wrote in a recent post on Quinn's IPWatchdog blog.

But others aren't particularly concerned about the court's use of Rule 36.

"The fact there is a consistent percentage means the Federal Circuit is also putting out more opinions," said Baker Botts LLP partner Michael Hawes, who has clerked for the court.

Indeed, in 2016 the Federal Circuit wrote 237 opinions in patent cases, up from 199 the year before, and an even bigger jump from 2013. Dragseth, another former law clerk, said there was no indication the court was "lolling off."

"I don't think there's a reason to believe that the judges have failed in trying to set a balance here," he said. "And they're in the best position to set that balance between, where do they put in the extra effort and where do they put in less effort."

Based on the data, it appears that extra effort more often comes in cases arising from district court rather than the PTAB.

Just over half of the PTAB appeals in 2016 were affirmed with a Rule 36 order, according to Law360's

statistics. This is down from 63 percent in 2015, but still notably higher than the 36 percent of district court appeals affirmed without an opinion.

The disparity is perhaps best explained by the level of deference given to PTAB decisions, attorneys said. For PTAB decisions, the court uses the so-called substantial evidence standard of review, a lower level of scrutiny than the "clear error" standard used for district court decisions.

"Many cases coming out of the office, because you have the level of deference that you have, just don't merit the time and effort for the court to explain every case," Wright said.

Igor Timofeyev, a partner at Paul Hastings LLP, noted that PTAB decisions also don't deal with infringement or other issues that can arise in district court.

"District court decisions generally have more issues there, so it may be more difficult to dispose of a number of district court cases under Rule 36," he said.

Rule 36 Under Fire

Regardless of what balance Federal Circuit judges are trying to achieve, at least one critic has argued the court's use of Rule 36 presents a legal problem.

In a recent research paper, University of Missouri School of Law professor Dennis Crouch makes the argument that the Federal Circuit is required by statute to issue an opinion in appeals arising from the USPTO, which would include PTAB and Trademark Trial and Appeal Board cases.

Crouch, who is also the primary author of Patently-O, a popular patent law blog, points specifically to language in the Patent Act and the Lanham Act that says the court "shall issue ... its mandate and opinion."

"Quite simply, Rule 36 judgments are not opinions and thus do not satisfy the opinion requirement," he wrote, suggesting that the court's "recent spate of hidden decisions is threatening its public legitimacy."

In an email, Crouch said that while he understands the Federal Circuit's concern for efficiency, he believes the approach is contrary to law. "I believe it is also bad policy — especially in this critically important emerging area of PTAB trials," he said.

Crouch's paper was cited earlier this month in legal filings by a company called Leak Surveys Inc., which asked for a rehearing after the Federal Circuit issued a Rule 36 judgment affirming a holding from the PTAB that invalidated parts of two patents related to a system for detecting gas leaks.

Leak Surveys has suggested it might be willing to ask the U.S. Supreme Court to decide whether the Federal Circuit can ever affirm an inter partes review decision from the PTAB without an opinion. Alternatively, it argued, the court should at least write an opinion when it relies upon new or alternative grounds to affirm the PTAB.

G. Donald Puckett of Nelson Bumgardner PC, an attorney for Leak Surveys, said he thinks "it's essentially beyond dispute" that the PTAB's decision didn't adequately explain why the board found claims in Leak's patents invalid.

"When you have that, coupled with the fact we've gotten a Rule 36 affirmance from the Federal Circuit, what that means is that [inventor] David Furry and Leak Surveys have had their patents taken away without anyone really providing a coherent justification or rationale for why that's the case," he said.

Speaking generally about the Federal Circuit's use of Rule 36 and need for the court to manage its docket, Peter Ayers, a Texas-based patent attorney who once clerked at the court, reserved a note of understanding for patent litigants who invest a good amount of time and resources into these cases.

"When someone has spent hundreds of thousands of dollars, they feel like they deserve some kind of explanation," he said. "But I understand the Federal Circuit appreciates that as well. So they're in a bit of a tough spot."

--Editing by Mark Lebetkin and Katherine Rautenberg.
