

Reverse Vs. Remand: Fed. Circ. May Rethink USPTO Appeals

By **Matthew Bultman**

Law360 (March 21, 2018, 10:14 AM EDT) -- The Federal Circuit may be shifting toward reversals, rather than remands, when the U.S. Patent and Trademark Office fails to support its decision that an invention is unpatentable, highlighting the need for inventors to carefully consider arguments about a potential remedy on appeal.

The difference between a reversal and a remand can be significant to patent applicants and patent owners. Although both can be considered a victory when challenging a decision from the USPTO, a remand requires further proceedings at the agency.

Recent decisions suggest at least some judges may be inclined to reverse the USPTO when it finds the agency failed to support its findings with substantial evidence, believing the patent office should not get a second bite at the apple.

"It's an interesting trend to take note of," said Michele Van Patten Frank of Venable LLP. "Given how this case turned out, I think it gives patent applicants the insight and motivation to really think about trying to seek a reversal as opposed to just a remand."

The latest example came last month in a case involving a patent application for an improved drain valve filed by inventor Kenneth Hodges. Several claims were rejected because a patent examiner found they were anticipated by earlier patents. The examiner also decided the application's claims were obvious.

Hodges appealed to the Federal Circuit after the USPTO's Patent Trial and Appeal Board upheld the examiner's rejections.

In a precedential decision, a three-judge panel vacated and remanded the board's obviousness finding because the board didn't adequately explain its reasoning. The judges also agreed there was not substantial evidence to support one of the board's anticipation rulings.

But the appropriate course of action with respect to the anticipation ruling — reversal or remand — sparked some disagreement. One judge said the issue should also be remanded back to the board. Two others decided that reversal was the correct route.

"The Patent Office shoulders the burden during initial examination of establishing that the examined claims are anticipated," the majority wrote. "Because the board failed to meet that burden here, and

because the only permissible finding that can be drawn ... is that [the earlier patent] does not disclose the claim limitation at issue, we reverse the board's anticipation determination" on that ground.

The dissenting judge, Circuit Judge Evan Wallach, argued his colleagues departed "from the default rule that deficient agency decisions should be vacated and remanded."

In the majority's view, the reversal wasn't carving new law — their opinion cited a handful of cases, including a 2017 decision, *In re: Chudik*, to support that decision. Still, attorneys said this wasn't the outcome that patent applicants would necessarily expect.

"Some might have felt [remand] would have been the typical outcome," Frank said. "This is showing a movement in the direction toward holding it to a reversal."

There have been indications some judges have been moving in that direction already.

The judge who wrote the majority's opinion in *Hodges*, Judge Kathleen O'Malley, dissented from a 2017 ruling in which the court vacated part of a PTAB decision that invalidated several claims of an Icon Health and Fitness exercise machine patent in a re-examination.

The Federal Circuit in that case said the PTAB in certain instances either failed to make factual findings to support its conclusions or its findings didn't have an adequate basis in the record.

While Judge O'Malley agreed the board erred, the judge said she would have reversed rather than send the case back for further proceedings, writing the "appropriate remedy in this situation is to allow any claims for which the PTAB has not carried its burden of proof."

Her opinion echoed a dissent from Circuit Judge Pauline Newman in another case last year, *In re: Van Os*, who said the PTAB's reasoning when rejecting part of an Apple application for a touch-screen patent was "so crippled as to be unlawful."

Judge Newman said that when the USPTO fails to carry its burden of establishing unpatentability during examination, the applicant is "entitled to the patent."

"The significance of *Hodges* is that's now a precedential decision coming out that way," said Jon Wright of Sterne Kessler Goldstein & Fox PLLC.

Any shift toward reversal, as opposed to remand, in these types of circumstances would be good news for patent applicants, opening the door for them to knock out some, if not all, of the rejections without the need for additional proceedings at the USPTO, attorneys said.

Similar to the *Van Os* and *Icon Health* cases, the *Hodges* decision arose from patent examinations at the USPTO. None came from the popular inter partes reviews and other America Invents Act proceedings at the PTAB.

Wright expressed doubts as to whether the reasoning for reversal in these cases would extend to the IPR context. He noted that in patent examinations, the burden for proving unpatentability lies with the USPTO.

"In the context of the IPR proceedings, where it's the petitioner that has the burden, it's not really fair to

punish the petitioner with a flat-out reversal where the [administrative patent judges] didn't do their job writing a good decision," he said.

Whether more Federal Circuit judges will follow the lead of the Hodges decision and show an inclination to reverse when the USPTO fails to carry its burden during examinations remains to be seen. But it's an issue attorneys will be keeping an eye on.

"It's something that bears watching in the future to find out where the Federal Circuit thinks it is appropriate to just reverse," said Darren Donnelly of Fenwick & West LLP.

What is immediately clear, attorneys said, is that the Federal Circuit is carefully considering potential remedies. And it is something that applicants and patent owners challenging a USPTO decision should be prepared to weigh in on during appeal.

Wright said the question of relief in an appeal can sometimes be given short shift. But it is important, attorneys said, to make a clear request for relief and have a legal basis for the request relief.

"If you're at the Federal Circuit, you need to know about [the Hodges] decision and the issue to at least explain to the court what should be the right outcome if the court thinks the patent office erred," Donnelly said.

Even before the case reaches the Federal Circuit, applicants and patent owners should make a concerted effort to develop the record — starting with the examiner and continuing through the PTAB — in order to give the appeals court all the relevant evidence, attorneys said.

The appeals court may then be "more willing to make those decisions to reverse, as opposed to remand," Frank said.

--Editing by Philip Shea and Rebecca Flanagan.