FEDERAL CIRCUIT APPEALS FROM THE PTAB

Summaries of Key 2018 Decisions

Sterne Kessler
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Sterne, Kessler, Goldstein & Fox is an intellectual property law firm with over 175 IP professionals devoted to providing outstanding patent and trademark legal services, including representation in district courts, the U.S. International Trade Commission (USITC), post-grant proceedings at the USPTO's Patent Trial and Appeal Board (PTAB), and appeals to the Federal Circuit.

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INTRODUCTION

In 2018, the U.S. Court of Appeals for the Federal Circuit docketed close to 600 appeals from the U.S. Patent and Trademark Office (USPTO). That is the second highest number since starting to hear post-American Invents Act (AIA) cases in 2014, and cases from the USPTO remain the largest contributor to the Federal Circuit's docket. Despite the volume, average appeal pendency appears to have stabilized in 2018 at around 15 to 16 months.

Looking at outcomes for Patent Trial and Appeal Board (PTAB) cases, the Court affirmed about 75% of all decisions, remanded about 20%, and reversed only 5%. In 2017, we saw a marked decrease in the use of Rule 36 summary affirmances, but that trend reversed in 2018, where roughly 55% of affirmances saw no opinion from the Court. For the remainder of the cases, roughly 28% were resolved with non-precedential opinions, with only 17% receiving precedential decisions. For a more complete summary of statistical trends, see the middle spread of this report.

On the merits, 2018 saw several significant decisions related to PTAB practice and procedure, including two decisions from the U.S. Supreme Court. The cases we selected cover important issues, including appellate scope, standing, sovereign immunity, assignor estoppel, collateral estoppel, constitutionality, and obviousness. After most cases, we list related cases that have further clarified the law on those points.

Developing summaries and statistics, like those on the following pages, is a collaborative process. We thank our co-authors—Byron Pickard, Deirdre Wells, Kristina Caggiano Kelly, Pauline Pelletier, and William Milliken.

Thank you for your interest. Please feel free to reach out to either of us if you have questions or want to discuss the current state and future of Federal Circuit appeals.

Best regards,

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CASE SUMMARIES

SAS INSTITUTE V. IANCU, 138 S.CT. 1348 (2018)

BY PAULINE M. PELLETIER

SAS sought an *inter partes* review (IPR) of ComplementSoft's patent. In its petition, SAS alleged that all of the patent's claims were unpatentable. The PTAB determined to institute trial on some, but not all, of the challenged claims, and to deny review on the rest based on 37 C.F.R. § 42.108(a), which allows for "partial" institution. At the end of trial, the Board issued a final written decision on the instituted claims but not the claims that it declined to review. On appeal to the Federal Circuit, SAS challenged the Patent and Trademark Office's partial-institution regulation as contrary to the plain text of 35 U.S.C. § 318(a), which requires the PTAB to determine the patentability of every claim challenged in the petition if it decides to institute *inter partes* review. The Federal Circuit rejected SAS's argument. The Supreme Court granted certiorari to resolve the statutory question.

Prior to SAS, the PTAB routinely partially instituted IPRs to streamline the issues. SAS forecloses this practice.

A 5-4 majority of the Supreme Court rejected the Office's interpretation of § 318(a), striking down the Office's partial-institution regulation: "[W]hen § 318(a) says the Board's final written decision 'shall' resolve the patentability of 'any patent claim challenged by the petitioner,' it means the Board must address every claim the petitioner has challenged." Prior to *SAS*, the PTAB routinely partially instituted post-grant proceedings, picking and choosing claims and grounds for review in an attempt to streamline the issues. *SAS* forecloses this practice, requiring the PTAB to institute trial, if at all, on all challenged claims. Justices Ginsburg, Breyer, Sotomayor, and Kagan dissented on grounds that the statute should not be interpreted to preclude "the Board's rational way to weed out insubstantial challenges." The 5-4 split reflects a divide between justices who read the statutory text as conclusive, and justices who would give more deference to the agency in formulating regulations to advance practical needs and goals.

SAS has been interpreted subsequently by the Office and the Federal Circuit to require institution, if at all, on all *grounds* as well as all claims addressed in the petition. This is because the *SAS* majority spoke expansively of *inter partes* review as a proceeding guided by "the petitioner's petition, not the Director's discretion." Specifically, the majority explained that "the petitioner is master of its complaint and normally entitled to judgment on all of the claims it raises." Contrasting *inter partes* review to the "inquisitorial" process of reexamination, the Court noted that "[t]he text only says that the Director can decide 'whether' to institute the requested review—not 'whether and to what extent' review should proceed," concluding that "[i]n all these ways, the statute tells us that the petitioner's contentions, not the Director's discretion, define the scope of the litigation all the way from institution through to conclusion."

SAS has had an impact. In the wake of *SAS*, the PTAB issued over 350 orders aiming to bring partially-instituted proceedings into compliance with the Supreme Court's mandate—an effort that implicated roughly 45% of its active docket. The Federal Circuit also sought to resolve questions about *SAS* raised in pending appeals.

Eliminating partial institutions has also had downstream implications, namely, for the statutory estoppel associated with IPRs and, by extension, the willingness of some district courts to stay co-pending litigation. Following the Federal Circuit's decision in *Shaw Industries Group, Inc. v. Automated Creel Systems, Inc.*, several district courts had concluded that estoppel should not attach to non-instituted claims and grounds. But with all claims and grounds now instituted, if at all, *Shaw's* exception for non-instituted grounds will presumably have limited application—a consequence that at least one Federal Circuit panel has recognized.

RELATED CASES

- *PGS Geophysical AS v. Iancu*, 891 F.3d 1354 (Fed. Cir. 2018) (interpreting SAS as "broadly" requiring the PTAB to institute, if at all, on all grounds as well as all claims; holding that the court has jurisdiction to review final decisions that fail to comply with SAS; explaining that relief from a SAS-related error need not be addressed by the court unless raised by one or both parties).
- *BioDelivery Scis. Int'l, Inc. v. Aquestive Therapeutics, Inc.*, 898 F.3d 1205 (Fed. Cir. 2018) (holding that, if a party seeks remand based on a SAS-related error, the court need not review the other issues, reserving its review for a "final judgment" and avoiding "piecemeal litigation").
- *Nestle Purina PetCare Co. v. Oil-Dri Corp. of Am.*, No. 17-1744, ECF No. 83 (Fed. Cir. June 11, 2018) (remanding in light of SAS and giving the PTAB discretion to consider allegation of fraud and the propriety of sanctions, but declining to "require" the PTAB to consider such issues).
- *Ulthera, Inc. v. DermaFocus LLC*, No. 18-1542, ECF No. 22 (Fed. Cir. May 25, 2018) (noting that a remand based on SAS "will ensure later on that there is no dispute or concern in the parallel district court proceedings regarding the scope of estoppel under 35 U.S.C. § 315(e)(2)").

WI-FI ONE V. BROADCOM, 878 F.3D 1364 (FED. CIR. 2018)(EN BANC)

BY PAULINE M. PELLETIER

Broadcom sought *inter partes* review of three patents owned by Wi-Fi One. In response to Broadcom's petitions, Wi-Fi One argued that the IPR was barred under 35 U.S.C. § 315(b) because Broadcom was in privity with certain defendants in a prior civil action who were served with a complaint alleging infringement of the challenged patents more than a year prior to the filing of the petitions. The PTAB rejected Wi-Fi One's arguments and instituted *inter partes* review. After a trial on the merits, Wi-Fi One appealed the PTAB's decisions to the Federal Circuit. A panel of the Federal Circuit declined to review the time-bar issue in light of the Court's precedent in *Achates Reference Publishing v. Apple*, which held that appellate review of the PTAB's time-bar determinations under § 315(b) was barred by 35 U.S.C. § 314(d).

Enforcing statutory limits on an agency's authority to act is precisely the type of issue that courts have historically reviewed.

Wi-Fi One sought *en banc* review, which the Federal Circuit granted to determine whether *Achates* should be overruled. By a majority of 9-4, the Federal Circuit overturned *Achates* and opened the door for appellate review of statutory time bars in IPR proceedings, holding: "The time bar is not merely about preliminary procedural requirements that may be corrected if they fail to reflect real-world facts, but about real-world facts that limit the agency's authority to act under the IPR scheme." The majority reasoned that "[e]nforcing statutory limits on an agency's authority to act is precisely the type of issue that courts have historically reviewed." Judges Hughes, Lourie, Bryson, and Dyk dissented on grounds that the appeal bar of § 314(d) is "absolute" and extends to the PTAB's time-bar determinations.

For some, the Court's holding in *Wi-Fi One* had been awaited since the Supreme Court decided *Cuozzo Speed Technologies v. Lee* in 2016. While *Cuozzo* ultimately held that issues "that are closely tied to the application and interpretation of statutes related to the Patent Office's decision to initiate *inter partes* review" are not appealable under § 314(d), it expressly left open the possibility for appeals relating to due process issues, limits on the PTAB's authority, and other "shenanigans." Notably, on the same day *Cuozzo* issued, the Supreme Court summarily granted, vacated, and remanded a petition for writ of certiorari in *Click-To-Call Techs., LP v. Ingenio, Inc., YellowPages.com, LLC*. Click-to-Call had appealed the Federal Circuit's refusal to review a time-bar determination, suggesting—at least by implication—that such determinations may be appealable in light of the Supreme Court's decision in *Cuozzo*. On remand, the Federal Circuit revisited its decision to dismiss Click-to-Call's appeal, but the Court concluded that it was bound by *Achates*—which would need to be overruled by the *en banc* Court for the panel in *Click-to-Call* to reach a contrary conclusion. The opportunity to review *Achates en banc* arose first in *Wi-Fi One*. Once decided, the Federal Circuit reconsidered *Click-to-Call*.

Since *Wi-Fi One* opened the door for parties to appeal the PTAB's institution determinations, the Federal Circuit has issued several significant decisions on the subject, among them decisions addressing the standards for privityand real-party-in-interest statusand the burden-allocation for challenging and defending whether a petition is time-barred.

RELATED CASES

- *Click-To-Call Techs., LP v. Ingenio, Inc., YellowPages.com, LLC*, 899 F.3d 1321 (Fed. Cir. 2018) (overruling PTAB's precedent that a complaint dismissed "without prejudice" fails to trigger the time-bar; intervening *ex parte* reexamination did not preclude triggering time-bar, fact that multiple challengers who filed joint petition did not preclude triggering of time-bar).
- *Bennett Regulator Guards, Inc. v. Atlanta Gas Light Co.*, 905 F.3d 1311 (Fed. Cir. 2018) (differing "from Click-to-Call only in that Bennett's complaint was involuntarily dismissed without prejudice," observing that "[j]ust as the statute includes no exception for a voluntarily dismissed complaint, it includes no exception for an involuntarily dismissed complaint.").
- *WesternGeco LLC v. ION Geophysical Corp.*, 889 F.3d 1308 (Fed. Cir. 2018) (addressing standard for privity and affirming the PTAB's determination that the petitioner was not time-barred based on privity with a joined petitioner sued for infringement more than one year prior).
- *Applications in Internet Time, LLC v. RPX Corp.*, 897 F.3d 1336 (Fed. Cir. 2018) (addressing standard for what qualifies as a "real party in interest" and vacating PTAB's determination as applying an unduly restrictive test and disregarding or discounting circumstantial evidence).
- *Worlds Inc. v. Bungie, Inc.*, 903 F.3d 1237 (Fed. Cir. 2018) (clarifying the burden-shifting framework for challenging and defending a real party in interest identification; holding that petitioner's identification can be taken at face value unless challenged by "some evidence").

SAINT REGIS MOHAWK TRIBE V. MYLAN PHARM. INC., 896 F.3D 1322 (FED. CIR. 2018)

BY DEIRDRE M. WELLS

Mylan Pharmaceuticals, Inc., Teva Pharmaceuticals USA, Inc., and Akron, Inc. petitioned for *inter partes* review (IPR) of various patents owned by Allergan, Inc., which the Board instituted. One week before the scheduled IPR hearing, Allergan recorded with the Patent and Trademark Office an assignment transferring title of the patents to the Saint Regis Mohawk Tribe. The Tribe then moved to terminate the IPR on the basis of sovereign immunity, and Allergan moved to withdraw from the IPR. The Board denied both motions.

In an interlocutory appeal of that decision, the Tribe and Allergan argued that the Board erred in denying the motion to terminate the IPR on the basis of sovereign immunity. They argued that, under Supreme Court precedent, sovereign immunity applies in proceedings that bear a strong resemblance to civil litigation. They argued that IPRs fall into that category because they are contested, adjudicatory proceedings between private parties.

The Federal Circuit disagreed and affirmed the Board's decision. The Federal Circuit "h[e]ld that trial sovereign immunity cannot be asserted in IPRs." It stated that while IPRs are hybrid proceedings, they are "more like an agency enforcement action than a civil suit brought by a private party." It found that "IPR is an act by the agency in reconsidering its own grant of a public franchise," including to "protect the public interest in keeping patent monopolies 'within their legitimate scope.'"

In support of its finding, the Federal Circuit noted the role of Director in IPRs, who "possesses broad discretion in deciding whether to institute review." It noted that "[w]hile [the Director] has the authority not to institute review on the merits of the petition, he could deny review for other reasons such as administrative efficiency or based on a party's status as a sovereign." Thus, "if IPR proceeds on patents owned by a tribe, it is because a politically accountable, federal official has authorized the institution of that proceeding."

The Federal Circuit also distinguished the party's rights and obligations in IPR from litigation. The Court noted that, unlike in civil suits, "[o]nce IPR has been initiated, the Board may choose to continue review even if the petitioner chooses not to participate." It also noted that "the USPTO procedures in IPR do not mirror the Federal Rules of Civil Procedure." For example, in IPR a petitioner may only make clerical or typographical corrections to its petition, a patent owner may seek to amend its patent claims, and live testimony is rarely allowed.

RELATED CASES

- Watch for the potential effect on state sovereign immunity at issue in *Regents of the Univ. of Minn. v. LSI Corp.*, No. 18-1559 (pending appeal).

The Federal Circuit "h[e]ld that trial sovereign immunity cannot be asserted in IPRs."

RPX CORP. V. CHANBOND LLC, NO. 17-2346, ORDER GRANTING MOTION TO DISMISS (FED. CIR. JAN. 17, 2018) (NONPRECEDENTIAL)
RPX CORP. V. CHANBOND LLC, NO. 17-1686 (CERT PETITION AND CVSG PENDING)

BY JON E. WRIGHT

RPX petitioned for *inter partes* review of ChanBond's '822 patent. The Board instituted the IPR and determined that RPX did not show any challenged claim to be unpatentable. RPX appealed the final written decision to the Federal Circuit. ChanBond moved to dismiss the appeal on the ground that RPX lacked standing to appeal. The Court granted ChanBond's motion and dismissed the appeal, finding that, because RPX could not show an "injury-in-fact," RPX lacked Article III standing. RPX is seeking Supreme Court review.

Article III standing requires an actual "case or controversy." To show a case or controversy, a party must demonstrate that it has suffered an injury-in-fact that is fairly traceable to the challenged action, and that the injury is likely to be redressed by a favorable judicial decision. *See Lujan v. Defs. of Wildlife*, 504 U.S. 555, 560 (1992). To establish an injury-in-fact, a party must show that it suffered an injury that is both "concrete and particularized." *Id.* And to constitute a concrete injury, the harm must "actual or imminent." *Id.*

RPX's "core business is in acquiring patent rights on the open market and in litigation to achieve peaceful resolution of patent disputes through rationally negotiated transactions." Before the Federal Circuit, RPX argued that it has suffered at least three types of injury sufficient to establish Article III standing: (1) injury to its statutory rights; (2) injury to its standing relative to competitors; and (3) injury to its reputation of successfully challenging wrongfully issued patent claims. The Court addressed each claim of harm.

As to RPX's first claim, the Federal Circuit relied on its decisions in *Consumer Watchdog v. Wisconsin Alumni Research Foundation*, 753 F.3d 1258 (Fed. Cir. 2014), and in *Phigenix, Inc. v. Immunogen, Inc.*, 845 F.3d 1168 (Fed. Cir. 2017), to reject RPX's claim of injury to its statutory rights. The statute guarantees the right to seek cancellation of the patent, but it does not guarantee any outcome. And where the party seeking cancellation is not engaged in any potentially infringing activity, the statutory estoppel provisions do not constitute an injury-in-fact. As to RPX's second claim, the Federal Circuit dismissed RPX's reliance on the doctrine of "competitor standing." While RPX lists its competitors as Unified Patents and Askeladden L.L.C., the Court determined that there was insufficient evidence in the record to prove that the Board's determination would increase or aid RPX's competition in the market of non-defendant IPR petitioners. As to RPX's final claim, the Federal Circuit dismissed RPX's alleged reputational injury. RPX's only evidence was a declaration from its senior VP of client relations. The Court found that the declarant was "unable to quantify the reputational and economic harm." It was thus insufficient evidence that "a concrete and particularized harm will occur."

RPX filed a petition for a writ of certiorari with the Supreme Court of the United States with the following question presented:

> Can the Federal Circuit refuse to hear an appeal by a petitioner from an adverse final decision in a Patent Office *inter partes* review on the basis of lack of a patent-inflicted injury-in-fact when Congress has (i) statutorily created the right to have the Director of the Patent Office cancel patent claims when the petitioner has met its burden to show unpatentability of those claims, (ii) statutorily created the right for parties dissatisfied with a final decision of the Patent Office to appeal to the Federal Circuit, and (iii) statutorily created an estoppel prohibiting the petitioner from again challenging the patent claims?

The Supreme Court subsequently called for the views of the Solicitor General.

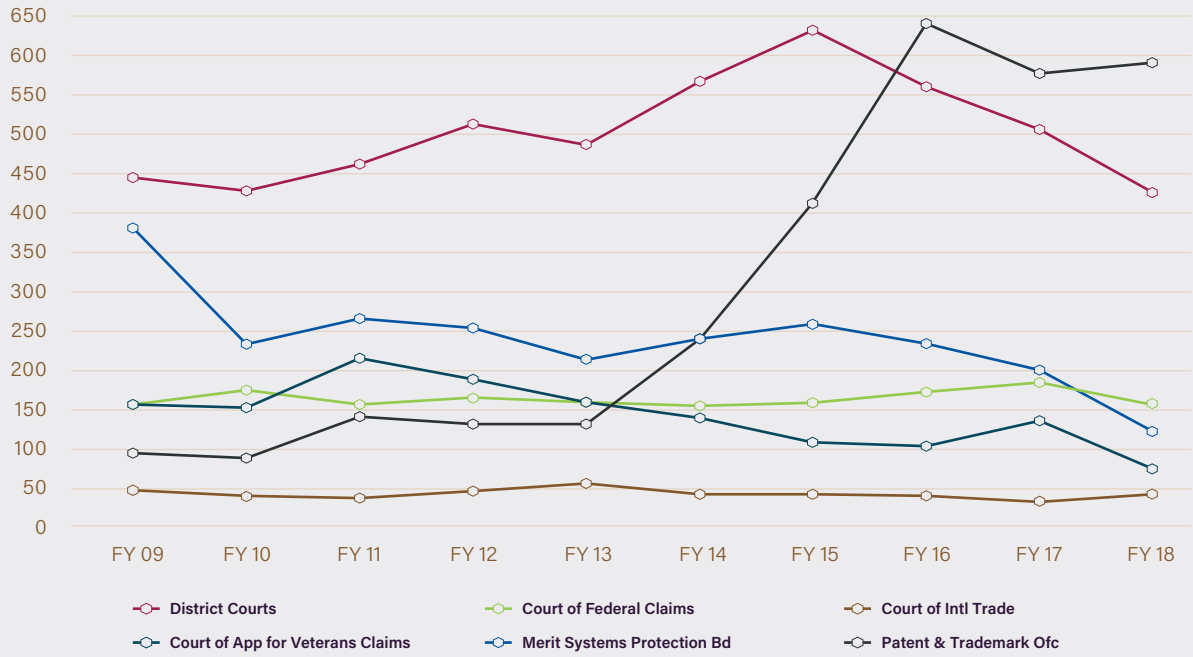
The Supreme Court has asked for the Solicitor General's view on whether non-practicing entities like RPX can appeal adverse PTAB decisions, even where they lack a patent-inflicted injury-in-fact.

RELATED CASES

- *Knowles Elecs. LLC v. Iancu*, 886 F.3d 1369 (Fed. Cir. 2018) (PTO has standing as intervenor to defend its decision in IPRs).
- *E.I. DuPont de Nemours & Co. v. Synvina C.V.*, 904 F.3d 996 (Fed. Cir. 2018) (patent challenger has standing to appeal Board IPR decision).
- *JTEKT Corp. v. GKN Auto. Ltd.*, 898 F.3d 1217 (Fed. Cir. 2018) (patent challenger lacked standing to appeal Board IPR decision).
- *Altaire Pharm., Inc. v. Paragon Bioteck, Inc.*, 889 F.3d 1274 (Fed. Cir. 2018), vacated in part on other grounds, 738 F. App'x 1017 (Fed. Cir. 2018) (PGR petitioner has standing to appeal where petitioner intended to file an ANDA for the patented product as soon as possible).

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

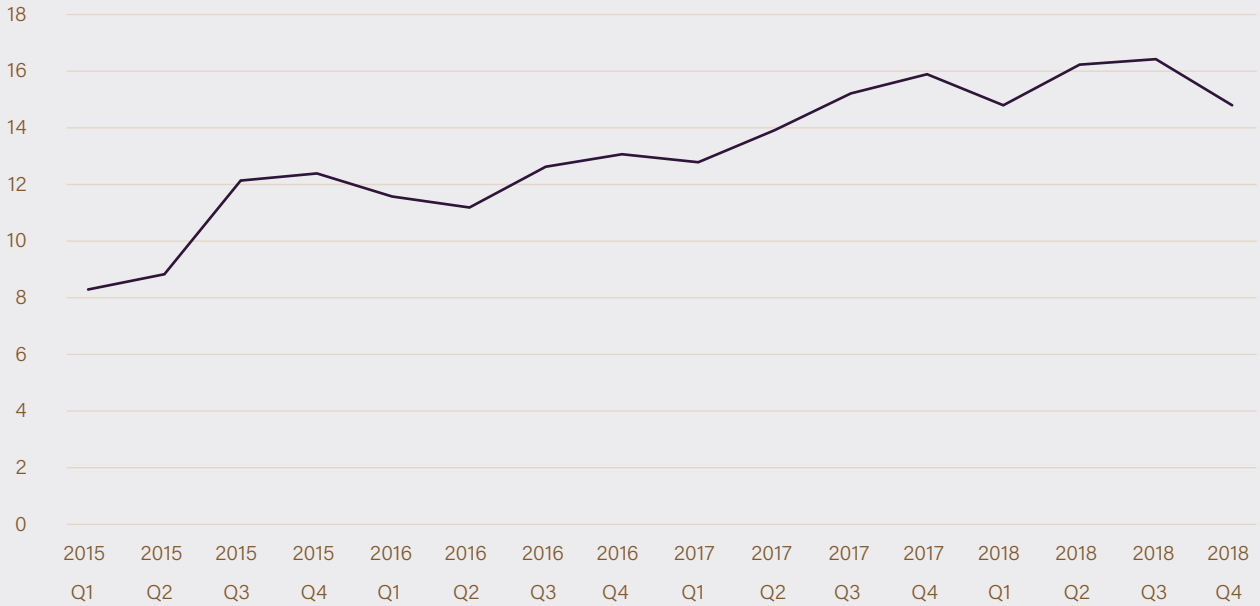
Origin of Appeals Filed



Source: CAFC

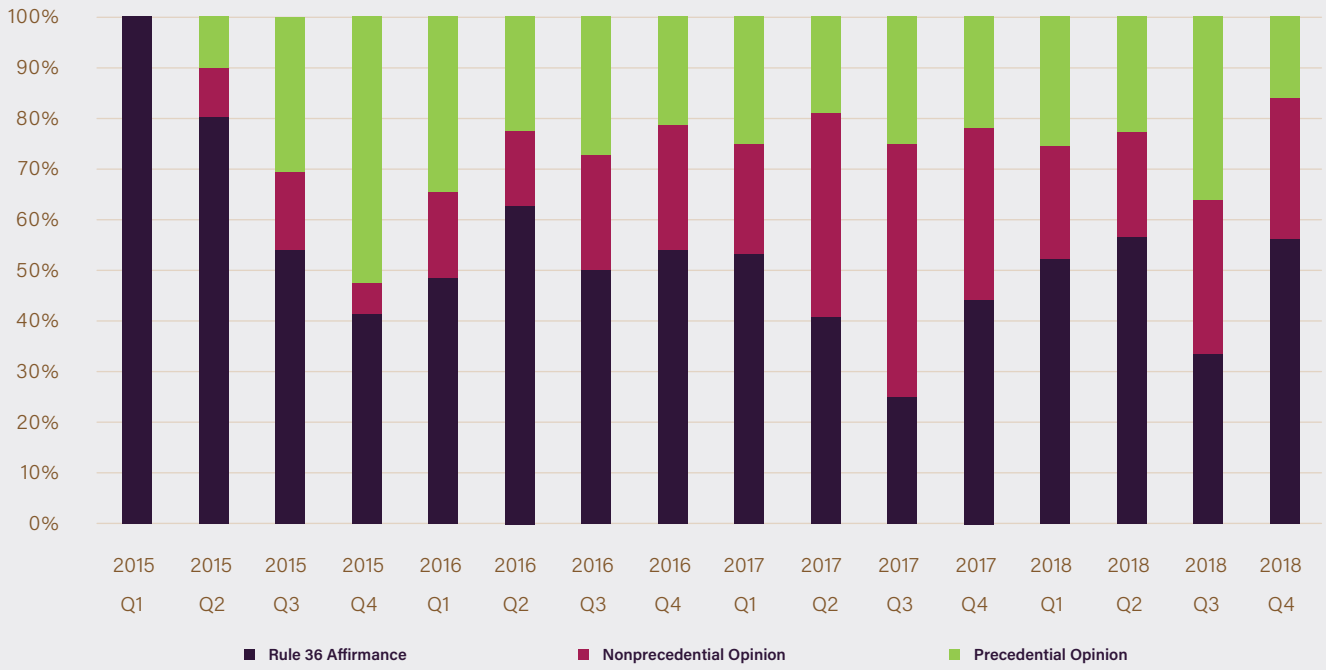
After a decline in new USPTO appeals in FY17, the new crop once again increased in FY18, likely due to patent owners filing appeals in anticipation of the Supreme Court's *Oil States* ruling.

TOTAL AIA APPEAL PENDENCY IN MONTHS



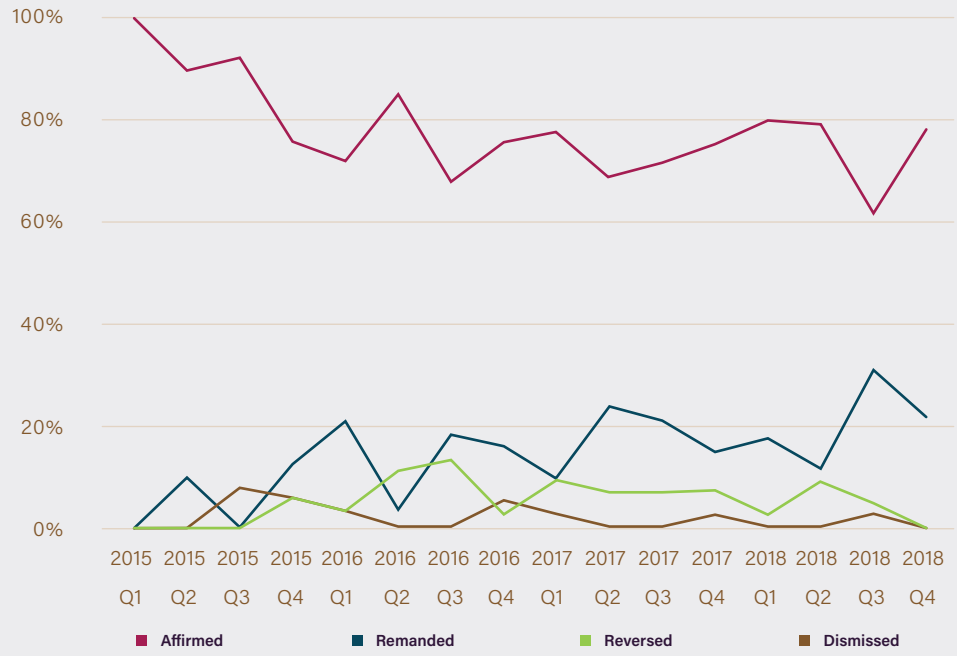
Appeal pendency steadily increased from the time that the first AIA appeals were decided through 2017, but the average stabilized around 15-16 months during 2018.

AIA APPEAL DISPOSITION TYPE



Nearly half of the Federal Circuit's decisions were Rule 36 judgments in 2018 – a departure from the court's decreasing reliance on this disposition type in the previous year.

OUTCOMES OF AIA APPEALS



Overall in 2018, 75% of PTAB decisions were affirmed, 20% were remanded, 5% were reversed, and just one appeal (less than 1%) was dismissed. The affirmance rate has held steady over the past three years – 76%, 73%, and 75%, respectively.

MEDTRONIC, INC. V. BARRY, 891 F.3D 1368 (FED. CIR. 2018)

BY KRISTINA CAGGIANO KELLY

Although the Federal Circuit has analyzed the qualifications of prior art printed publications since its inception, the precise standards for public accessibility have become dramatically more important under PTAB jurisprudence. Although the "known or in use" provisions of 35 U.S.C. §§ 102 and 103 contemplate many forms of prior art, *inter partes* reviews (IPRs) may only be based on prior art in "printed publications." Accordingly, the petitioner has the burden of showing that all cited prior art is both "printed" and "publicly accessible." Public accessibility determinations are especially important at the institution phase since the Board's refusal to institute review is generally not appealable.

***Medtronic, Inc. v. Barry* emphasized the fact-specific nature of the public accessibility determination and articulated five factors for analyzing the prior art qualifications of materials distributed at conferences and meetings.**

Medtronic, Inc. v. Barry is the latest treatment of the printed publication requirement for prior art in an appeal arising from an IPR. Specifically, the Federal Circuit emphasized the fact-specific nature of the public accessibility determination and articulated five factors for analyzing the prior art qualifications of materials distributed at conferences and meetings:

1. The size and nature of the meeting;
2. whether the meeting is open to people interested in the subject matter of the material disclosed;
3. whether there is an expectation of confidentiality;
4. the expertise of the target audience; and
5. the purpose of the meeting.

In addition to articulating the five-factors to consider in determining if material counts as a printed publication, the details of *Medtronic* provide guidance as to how the test is applied. In that case, the challenged patent related to medical devices for use in spinal surgery. The disputed prior art was narrated video presentation submitted as a "printed publication" under § 102(b) for its audio and visual content. The video was presented to spinal surgeons at industry meetings and trade conferences.

The video was recorded on a CD that was distributed at three conferences prior to the critical date. The Board found that the CD satisfies the "printed" aspect of the requirement because it contains data that defines the displayed content. The Board found that the particular CD in question, however, did not satisfy the "publication" aspect of the requirement because it was not adequately disseminated to the relevant audience.

On appeal, the Federal Circuit agreed with the Board's "printed" analysis but disagreed with the "publication" conclusion. The Court explained that accessibility, being the touchstone of the printed publication analysis, turns on whether the material was "disseminated or otherwise made available to the extent that persons interested and ordinarily skilled in the subject matter or art exercising reasonable diligence can locate it." The Court went on to clarify that accessibility depends not only on availability (such as the volume of dissemination) but also on considerations like awareness among the relevant audience, searchability, indexation, archiving, public display, and evidence of actual viewership or access.

RELATED CASES

- *Gopro, Inc. v. Contour IP Holding LLC*, 908 F.3d 690 (Fed. Cir. 2018) (finding that a well-attended dealer show can satisfy publication even if the target audience is narrow because the inquiry relates to the relevant public rather than the *general* public).
- *Jazz Pharm., Inc. v. Amneal Pharm., LLC*, 895 F.3d 1347 (Fed. Cir. 2018) (explaining that whether a reference is a printed publication is a case-by-case analysis; here, materials published in the Federal Register during the ACA notice and comment period were publically accessible because they were widely disseminated, even though they were not searchable and arguably not indexed).
- *Nobel Biocare Servs. AG v. Instradent USA, Inc.*, 903 F.3d 1365 (Fed. Cir. 2018) (finding that a product brochure distributed at a German industry conference qualified as printed publication where multiple witness testified as to the date and extent of the brochure's dissemination in satisfaction of the "rule of reason" test for corroboration).
- *Acceleration Bay, LLC v. Activision Blizzard Inc.*, 908 F.3d 765 (Fed. Cir. 2018) (technical report uploaded on a university library website not publicly accessible because reports in the website were not sufficiently disseminated to the public and not sufficiently indexed or searchable to be located through reasonable diligence).

ARISTA NETWORKS, INC. V. CISCO SYS., INC., 908 F.3D 792 (FED. CIR. 2018)

BY JON E. WRIGHT

Assignor estoppel is not applicable in IPR proceedings.

The inventor on the patent, Dr. Cheriton, was employed by Cisco as a technical advisor and chief product architect at the time he filed the application that led to the patent. Dr. Cheriton assigned all rights to the invention to Cisco and generally agreed to aid Cisco, at their request and expense, in obtaining and enforcing patents for his invention. Dr. Cheriton later left Cisco and, along with others, founded Arista. Dr. Cheriton served as Arista's Chief Scientist for several years. He also served as a director and was one of its largest shareholders.

Cisco later sued Arista for infringement of the patent at the ITC. Arista, in turn, challenged the validity of the patent before the ITC and petitioned for *inter partes* review (IPR), which was instituted by the PTAB. Cisco argued, in both proceedings, that Arista was estopped from challenging the validity of the patent under the doctrine of assignor estoppel. Assignor estoppel is an equitable defense that prevents an assignor of a patent from later challenging the patent's validity. The ITC applied the doctrine of assignor estoppel and prevented Arista from challenging the validity. However, the Board declined to apply the doctrine to Arista. It determined that equitable defenses, such as assignor estoppel, were not available to patent owners in IPRs.

On appeal, the Federal Circuit first confirmed that it had jurisdiction to consider the assignor estoppel issue. Applying *Cuozzo Speed Technologies v. Lee*, 136 S. Ct. 2131 (2016), and *Wi-Fi One, LLC v. Broadcom Corp.*, 878 F.3d 1364 (Fed. Cir. 2018), the court determined that those cases "strongly point[] toward unreviewability being limited to the Director's determinations closely related to the preliminary patentability determination or the exercise of discretion not to institute." Because the Court determined that the application of assignor estoppel is unrelated to either, it could hear Cisco's appeal.

Turning to the merits, Cisco argued that assignor estoppel is a well-established common-law doctrine that should be presumed to apply unless a statute says otherwise. Arista, for its part, argued that 35 U.S.C. § 311(a) leaves no room for assignor estoppel in the IPR context because allows "a person who is not the owner of a patent" to file an IPR. The Court agreed with Arista. It evaluated Congressional intent as to whether assignor estoppel should apply in the context of IPRs and determined that the plain language of the statute controlled. The Court concluded that § 311(a), "by allowing 'a person who is not the owner of a patent' to file an IPR, unambiguously dictates that assignor estoppel has no place in IPR proceedings."

This case may foreclose future use of assignor estoppel as a defense in IPRs. But it also opens the door, following *Wi-Fi One*, for additional review of Board decisions that do implicate the preliminary patentability determination or the exercise of discretion not to institute.

OIL STATES ENERGY SERVS., LLC V. GREEN'S ENERGY GRP., LLC, 138 S. CT. 1365 (2018)

BY BYRON L. PICKARD

In *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, the Supreme Court ruled that *inter partes* reviews (IPRs) do not improperly divest the courts of their judicial authority and do not violate the Seventh Amendment's guarantee of a trial by jury.

Oil States sued Greene's Energy, alleging that it infringed a patent directed to hydraulic-fracturing equipment. Greene's Energy challenged the patent's validity in the district court and brought an IPR at the Patent Office. The district court construed the patent's claims in a way that foreclosed Greene's Energy's prior-art challenges, but, just a few months later, the Patent Office reached a different result, finding the prior art anticipated the patent.

Oil States appealed to the Federal Circuit, arguing that IPRs violated the constitutional guarantee of a trial by jury in an Article III court. The Federal Circuit affirmed the Board, and the Supreme granted certiorari on this issue.

A patent is a public right, and the USPTO has the authority to nullify that right.

Oil States's Article III challenge was premised on the principal that the Constitution vests the judicial power of the United States "in one supreme Court, and in such inferior Courts as the Congress may from time to time ordain and establish." As a result, Congress may not confer the government's "judicial power" in a non-Article III Court—such as the PTAB. The Court rejected this challenge, holding that IPRs fall squarely within the so-called public-right doctrine and therefore do not require trial by an Article III court.

The Court has distinguished between "public rights" and "private rights." When dealing with the former class of rights, Congress is afforded "significant latitude" in assigning adjudication of those rights to a non-Article III court. The public-rights doctrine applies to disputes "arising between the government and others, which from their nature do not require judicial determination and yet are susceptible of it." The Court cited early precedents establishing that patent grants were a public right because they involve the government transferring valuable rights from the public to inventors, empowering the latter to exclude others from the scope of their invention. From this, the Court concluded that an IPR involves the "same basic matter as the grant of a patent," qualifying it as a public right. Specifically, the PTAB applies the same statutory requirements that the Office does when granting a patent. And when a patent is cancelled in an IPR, the public is freed from the patent monopoly.

The Court rejected Oil States's argument that a patent is form of private property entitled to the protection afforded such property. The Court also rejected the idea that the historical practice of trying patent validity before Article III courts suggested a different result. The Court again reverted to a key foundation of the public-rights doctrine, which recognizes that many public-rights disputes *can* be decided by the courts, but it does not follow they *must* be under the Constitution. The Court concluded that simply because the courts can and have adjudicated patent validity, it does not follow that they *must* decide patent validity.

The Court concluded its opinion by rejecting the Seventh Amendment challenge because the right to a jury trial has no application in cases heard by non-Article III entitites.

ARTHREX, INC. V. SMITH & NEPHEW, INC., 880 F.3D 1345 (FED. CIR. 2018)

BY WILLIAM H. MILLIKEN

Arthrex confirms that patent owners who disclaim all challenged claims prior to institution face the prospect of adverse judgment on the claims pursuant to § 42.73(b) (and the estoppels that go along with it).

Smith & Nephew petitioned for *inter partes* review (IPR) of Arthrex's patent. After the petition was filed, but before the Board issued an institution decision, Arthrex statutorily disclaimed all the challenged claims under 37 C.F.R. § 42.107(e). Arthrex then filed a Preliminary Response arguing that an IPR should not be instituted because, under 37 C.F.R. § 42.107(e), no IPR "will be instituted based on disclaimed claims." Arthrex added that its disclaimer was not a request for an adverse judgment.

The Board subsequently entered an adverse judgment against Arthrex pursuant to 37 C.F.R. § 42.73(b)(2). Section 42.73(b) contains a list of "[a]ctions construed to be a request for adverse judgment," the second of which is "[c]ancellation or disclaimer of a claim such that the party has no remaining claim in the trial." That adverse judgment created certain estoppel effects that impacted two of Arthrex's pending continuation patent applications.

Arthrex appealed. Smith & Nephew argued that the Federal Circuit lacked jurisdiction to hear the case because 35 U.S.C. § 319 created the exclusive means of appeal and the Board did not issue a "final written decision" as required by that section. The Federal Circuit rejected this argument, stating that Arthrex was permitted to appeal pursuant to 28 U.S.C. § 1295(a)(4), which provides for appeal from a PTAB decision "with respect to" an IPR.

Turning to the merits, the Federal Circuit affirmed, holding that the Board properly entered adverse judgment pursuant to § 42.73(b). The Court concluded that "[t]he application of the rule on its face does not turn on the patentee's characterization of its own request," meaning that Arthrex could not avoid an adverse judgment simply by stating that it was not seeking one. The Court also rejected Arthrex's argument that § 42.73(b)(2)'s reference to "trial" means that it applies only after an IPR is instituted. The Court explained that (i) § 42.73(b) speaks of adverse judgment during "a proceeding," which begins with the filing of a petition; (ii) the language of § 42.73(b)(2) simply reflects that "there is no claim *remaining for trial*" (emphasis added); and (iii) the other subsections of § 42.73(b) do not turn on whether an IPR has been instituted.

Judge O'Malley concurred. Judge O'Malley agreed that the Board's interpretation of § 42.73(b) was consistent with the regulation's text, but she believed that the PTO probably lacked the authority to adopt the regulation in the first place. In Judge O'Malley's view, Federal Circuit precedent and the Board's enabling statutes likely prohibited the Board from issuing adverse judgments with estoppel effect prior to institution. But because Arthrex had specifically disclaimed this argument, Judge O'Malley agreed that the panel should not address it.

Judge Newman dissented, arguing that § 42.73(b)(2) did not apply because, without an institution decision, there could be no "trial." In Judge Newman's view, "[t]he inclusion of 'in the trial' in subsection (b)(2) is a critical distinction from the other subsections . . . . This distinction cannot be ignored."

Arthrex confirms that patent owners who disclaim all challenged claims prior to institution face the prospect of adverse judgment on the claims pursuant to § 42.73(b) (and the estoppels that go along with it). However, the various opinions suggest that, in a future case, a patent owner might successfully argue that the PTO lacked statutory authority to adopt the regulation.

RELATED CASES

- *Hamilton Beach Brands, Inc. v. f'real Foods, LLC*, 908 F.3d 1328 (Fed. Cir. 2018) (finding no APA violation where Board adopted its own construction for the first time in the final written decision because the parties had notice of the contested claim-construction issues and an opportunity to be heard; time-bar issue raised by appellee could only be heard on a cross-appeal).
- *Ericsson Inc. v. Intellectual Ventures I LLC*, 901 F.3d 1374 (Fed. Cir. 2018) (Board's failure to consider argument in IPR petitioner's reply was an abuse of discretion because it was properly responsive to Patent Owner Response).
- *Anacor Pharm., Inc. v. Iancu*, 889 F.3d 1372 (Fed. Cir. 2018) (no APA violation for citing two references not in petition; new evidence is to be expected as long as party is given notice and opportunity to respond).
- *Paice LLC v. Ford Motor Co.*, 881 F.3d 894 (Fed. Cir. 2018) (no APA violation where the Board rejected similar arguments in other IPRs and cited relevant portions of petitioner's brief collecting cases).

NESTLE USA, INC. V. STEUBEN FOODS, INC., 884 F.3D 1350 (FED. CIR. 2018)
MAXLINEAR, INC. V. CF CRESPE LLC, 880 F.3D 1373 (FED. CIR. 2018)

BY KRISTINA CAGGIANO KELLY

As strategies for managing multiple *inter partes* reviews (IPRs) of the same or related patents evolve, so does the complexity of collateral estoppel. Collateral estoppel prevents a party from having to re-litigate issues that have been fully and fairly tried in a prior proceeding. It applies across both the administrative (issues decided in IPRs) and civil (issues decided in district court) contexts.

The Federal Circuit recently decided two cases resolving collateral estoppel issues arising from IPR decisions. The first, *Nestle v. Steuben Foods*, addressed the preclusive effect of claim construction across related patents. The second, *MaxLinear v. CF Crespe*, dealt with the preclusion implicated by the relationship between independent and dependent claims across multiple petitions challenging the same patent.

Collateral estoppel applies to claim construction issues across subsequent IPR petitions, protecting the patent owner from having to revisit an issue already resolved against the challenger.

***Nestle USA, Inc. v. Steuben Foods, Inc.,* 884 F.3d 1350 (Fed. Cir. 2018)**

The petitioner in *Nestle* challenged two related patents in successive IPR petitions. In defending the first petition, the patent owner argued the meaning of the term "asceptic" as used in the challenged claims. The Board's determination, including the proper claim construction, was then appealed to the Federal Circuit. The Court found that the term "asceptic," was governed by the patentee's lexicography and construed it accordingly. The Court then affirmed the Board's ultimate determination in favor of the patent owner.

The second petition challenged similar claims reciting the term "asceptic" in a related patent that contained nearly identical lexicography. The Court explained that the proper construction of the term "asceptic" was already resolved in the previous IPR, which also involved the same parties. In this case, collateral estoppel protected the patent owner from having to revisit an issue already resolved against the patent challenger. Collateral estoppel thus applies to claim construction issues across subsequent IPR petitions.

***MaxLinear, Inc. v. CF Crespe LLC,* 880 F.3d 1373 (Fed. Cir. 2018)**

MaxLinear addressed similar collateral estoppel issues, this time in the context of independent and dependent claims. In this case, MaxLinear filed an IPR petition challenging the independent claims of Crespe's patent. The Board ultimately found that the independent claims were unpatentable over the cited prior art. While that decision was pending appeal, MaxLinear filed a subsequent petition challenging all of the claims of the same patent over different prior art. The Board found on the merits that the challenged claims were *not* unpatentable over the prior art cited in the second petition. That decision was appealed as well.

During the pendency of the second petition, the Federal Circuit affirmed the unpatentability of the independent claims from the first petition. The Court found that its affirmance of the decision in the first petition abrogated the Board's findings on the independent claims in the second petition. The Court then vacated the Board's determination related to the dependent claims in the second petition and remanded to the Board. On remand, the Board was instructed to determine whether there were any material differences between the dependent and independent claims such that the dependent claims could survive the unpatentability of the independent claims under the prior art cited in the *first* petition. If not, then the patent owner's defense of the dependent claims in the second petition (over the prior art cited in the second petition) is collaterally estopped by the patentability determination in the first petition (over the prior art cited in the first petition).

MaxLinear thus presents the situation in which the Board is tasked with making a patentability evaluation of claims challenged in one petition based on different prior art cited against different claims in a different petition. Despite the complexity of that layering, collateral estoppel in this case protects the Board from wasting time adjudicating subject matter that has already been found unpatentable in prior IPRs.

Collateral estoppel protects the Board from wasting time adjudicating subject matter that has already been found unpatentable in prior IPRs, even if determining estoppel requires the Board to evaluate patentability of previously unchallenged claims based on prior art not raised in the instant petition.

E.I. DUPONT DE NEMOURS & CO. V. SYNVINA C.V., 904 F.3D 996 (FED. CIR. 2018)

BY WILLIAM H. MILLIKEN

DuPont petitioned for *inter partes* review of Synvina's patent, which was directed to a method of oxidizing a chemical using a specific temperature range, pressure range, catalyst, and solvent. The prior art disclosed the claimed solvent and catalyst, and it also disclosed ranges of temperature and pressure that overlapped with the ranges claimed in the patent. The Board held that the claims were not unpatentable as obvious. The Board concluded that DuPont had failed to show that reaction temperature and pressure were result-effective variables or that a skilled artisan would have been able to adjust those parameters to arrive at the claimed invention as a matter of routine experimentation.

DuPont appealed. Synvina argued that DuPont lacked standing to appeal the Board's decision because DuPont had not been sued for infringement of the patent and so could "posit only speculative future harm." The Court rejected this argument, concluding that DuPont had shown "a controversy of sufficient immediacy and reality" because (i) DuPont operated a plant capable of infringing the patent; (ii) Synvina had alleged that DuPont had copied the claimed invention; and (iii) Synvina had refused to grant DuPont a covenant not to sue.

When the ranges of a claimed composition overlap the ranges disclosed in the prior art, the Court explained, "such overlap creates a presumption of obviousness."

On the merits, the Federal Circuit held that the Board had failed to apply the proper standards for obviousness. When the ranges of a claimed composition overlap the ranges disclosed in the prior art, the Court explained, "such overlap creates a presumption of obviousness." The patentee then has the burden of production to show that (i) the claimed range is "critical," meaning that it produces an unexpected result relative to the prior-art range; (ii) the prior art taught away from the claimed range; (iii) the parameters in question are not "result-effective variables"; or (iv) the prior-art range is so broad that it would not invite routine optimization. If the patentee can present such evidence, "[t]he factfinder then assesses that evidence, along with all other evidence of record, to determine whether a patent challenger has carried its burden of persuasion to prove that the claimed range was obvious." The Court explained that the Board had erroneously failed to apply this burden-shifting framework.

The Federal Circuit also found that the Board had misapprehended the standard for whether a given parameter is a "result-effective variable." "Under the applicable standard," the Court explained, "if the prior art does recognize that the variable affects the relevant property or result, then the variable is result-effective." Thus, "DuPont needed to show that it was recognized in the prior art, either explicitly or implicitly, that the claimed oxidation reaction was affected by reaction temperature and [pressure]." The prior art need not recognize that temperature and pressure "predictably affected" the reaction, or that the temperature and pressure were "necessarily required" to be in the claimed range to reach the desired result.

Applying the correct obviousness standards to the patent, the Federal Circuit held that the challenged claims would have been obvious and thus reversed the Board's decision. According to the Court, DuPont had shown that the reaction conditions claimed in the patent were the result of routine optimization of result-effective variables, and Synvina had failed to present sufficient objective indicia of non-obviousness to overcome DuPont's prima facie obviousness case.

DuPont confirms the legal standard applicable to overlapping-range obviousness cases and clarifies the proper test for determining whether a prior-art variable is "result-effective."

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