

Federal Circuit Issues Second Reversal in an *Inter Partes* Review Finding the PTAB's Obviousness Analysis to Contain "Legal Errors" Relating to Motivation to Combine



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On November 3, 2015, the Federal Circuit issued *Belden Inc. v. Berk-Tek LLC*¹, a rare precedential opinion reversing a determination by the Patent Trial and Appeal Board (PTAB) in an *inter partes* review proceeding. This is only the second reversal in over 40 decisions, this time reversing in favor of the petitioner.

There are two key points to take away from *Belden*. First, the Court reversed a factual finding involving obviousness based on what it found to be a sufficient motivation to combine, ruling in the petitioner's favor. Second, the Court suggested that a patent owner should be more assertive in seeking procedural remedies that are not expressly set forth in the Office's rules and practice guides, for example, by requesting a sur-reply or waiver of the rules.

Specifically, Judges Newman, Dyk, and Taranto (authoring) reversed the PTAB's determination that two dependent claims survived the obviousness challenge, ruling on appeal in favor of the cross-appellant-petitioner, Berk-Tek, that the claims would have been obvious. The Court found that the PTAB's "logic misconstrues the claim language and overlooks on-point evidence" concerning the motivation to combine the prior art at issue. (Slip Op. 19.) The Court also noted that "[e]ven giving the Board the deference it is due under the substantial-evidence standard of review of factual findings, we agree that the record requires the finding Berk-Tek urges." (*Id.* 16-17.) The Court also affirmed the PTAB's denial of Belden's motion to exclude evidence submitted with Berk-Tek's reply, finding that the PTAB did not abuse its discretion when it considered an expert declaration that was filed after institution.

Appellant Belden owns the patent at issue, U.S. Patent No. 6,074,503, which is directed to a method of making a cable by passing a core and conducting wires through one or more dies, bunching the wires into grooves on the core, twisting the bunch to close the cable, and jacketing the entire assembly. The PTAB instituted trial on various claims, including dependent claims 5 and 6, which further require "twisted pairs of insulated conductors." Ultimately, however, in its final decision the PTAB concluded that petitioner Berk-Tek had not provided a sufficient reason to combine the prior art elements in the manner recited in the dependent claims.

On appeal, the Court disagreed. It pointed to the PTAB's preliminary findings in its institution decision relating to the need for the twisted pairs to be aligned. The Court then reasoned that undisputed evidence "points clearly toward a motivation of a skilled artisan to arrive at the methods of claims 5 and 6." (*Id.* 18.) This is a rare example, at least in the post-grant proceeding context, of the Court reversing the PTAB's factual determination by finding its technical reasoning to be flawed.

The Court also addressed Berk-Tek's reliance on expert testimony proffered and cited for the first time in its petitioner's reply. Specifically, Berk-Tek did not submit an expert declaration with its petition, but submitted one with its reply. Belden sought to exclude the new testimony, arguing that it should have been submitted with the original petition as it was necessary to support Berk-Tek's *prima facie* case of obviousness. Belden cited to 37 C.F.R. § 42.23(b), which requires that "[a] reply may only respond to arguments raised in the . . . patent owner response." Belden also cited to the PTAB's Trial Practice Guide, 77 Fed. Reg. at 48,767, which further excludes "new issues" from the scope of a reply, examples of which include "new evidence that could have been presented in a prior filing" such as the petition.

¹ Appeal Nos. 2014-1575, -1576 (Fed. Cir. Nov. 5, 2015).

The PTAB rejected Belden's contention that the declaration was necessary for Berk-Tek to establish a *prima facie* case. The Board also found that Berk-Tek's declaration was responsive to evidence submitted in Belden's patent owner response. Based on these conclusions, and its own analysis of the original petition, the Court found that the PTAB did not abuse its discretion in considering the declaration.

The Court also concluded that the PTAB did not improperly deny Belden any procedural rights. The Court noted that, after considering Belden's objections to the reply evidence, the PTAB instructed Berk-Tek to "truncate its reply and supporting submissions to eliminate any improper material." (*Id.* 24.) Berk-Tek complied. Beyond that, the Court considered that Belden cross-examined the declarant and submitted observations on that cross-examination. Thus, the Court reasoned, to the extent Belden felt that it needed an opportunity to rebut the new evidence, the Court credited the Office's arguments on appeal (participating as an intervenor) that Belden should have sought a waiver of the rules, an extension of the page limits for its observations, or a sur-reply. Because Belden did not request any of this relief, the Court concluded: "With no Board denial of concrete, focused requests before us, we are not prepared to find that Belden was denied a meaningful opportunity to respond to the grounds of rejection, and we find no basis for disturbing the Board's denial of Belden's motion to exclude." (*Id.* 29.)

The lesson for practitioners in *Belden* is that "the absence of any regulation" (*id.* 27) providing a procedural remedy (e.g., waiver of the rules, a motion to strike, a sur-reply) does not relieve parties from the affirmative obligation to request such a remedy when needed. That is, just because no rule provides for it does not mean the option is not available. Put simply, you don't know if you don't ask. Indeed, what the Court found in *Belden* will likely surprise some practitioners, as many PTAB panels to date have not subscribed to the philosophy that "if the petitioner submits a new expert declaration with its Reply, the patent owner can respond in multiple ways." (*Id.* 28). That is, in addition to filing observations, patent owners may also move to exclude the evidence, argue about it at oral hearing, file a sur-reply, or request a waiver of the rules. Interestingly, the Court regards these multiple options as "not mutually exclusive." (*Id.*)

Indeed, many practitioners would hasten to note that observations on cross-examination are limited and cannot be argumentative; many PTAB panels have ruled that motions to exclude are restricted to "evidentiary" issues with some basis in the Federal Rules of Evidence; and arguing issues at the oral hearing is strictly limited to topics that have been set forth in a previous filing. And perhaps most at odds with the Court's ruling is that a party needs PTAB permission to file a motion, i.e., authorization to move for relief. Some practitioners have felt the sting of having a PTAB panel snub a request for authorization to file a sur-reply (even without additional evidence) or a request for authorization to seek waiver of the rules—as if such requests are completely unreasonable. A change in the PTAB's treatment of such requests will be an area to monitor as parties may feel obligated under *Belden* to at least seek the procedural remedy.

Pursuing all of these options simultaneously may seem impracticable. But a focused understanding of the procedural remedy needed, combined with an open and cooperative dialogue between the PTAB panel and the parties, may provide sufficient clarity to navigate the evolving landscape of PTAB trial practice. And perhaps the more fundamental take-away from *Belden* is the Court's recognition that "[a] patent owner in Belden's position is undoubtedly entitled to notice of and a fair opportunity." (*Id.* 25.) In this regard, the Court's reasoning suggests that parties may rely on the standards for rebuttal evidence and sur-rebuttal evidence that are the norm in district court litigation: rebuttal should be limited to explaining, repelling, counteracting, or disproving. And where "new enough matter" is permitted on rebuttal, then sur-rebuttal should be allowed. As the Court noted: "Those standards are widely employed to provide the required procedural fairness through careful case-specific application." (*Id.* 29.)

Belden is only the eighth precedential opinion issued by the Court involving an appeal of a post-grant proceeding, i.e., an *inter partes* review or CBM review, excluding petitions for writ of mandamus. And it is only the second appeal involving any type of reversal. The first case involving a reversal was *Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292 (Fed. Cir. 2015), in which the Court reversed and remanded a claim construction applied by the PTAB. Against the Office's winning record on appeal of

41 affirmances and eight dismissals, *Belden* is significant if only because it shows the Court is willing to scrutinize the PTAB's factual determinations on the technical merits and reverse.

But *Belden* is doubly significant for the insight it provides into how the Court is evaluating the PTAB's procedural rulings, such as on motions to exclude. While in this instance the Court found no abuse of discretion, it had not been presented with a "concrete, focused" denial of rights. The future holds many such appeals, so there is hope of receiving more insight from the Court, the Office, and even the PTAB on these important procedural issues. In the meantime, the holding in *Belden* suggests that you must ask for remedies beyond the rules.

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