Hunting Titan, Inc. v. DynaEnergetics Europe GmbH, 28 F.4th 1371 (Fed. Cir. 2022) (Prost (concurring), Reyna, Hughes)

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Here, Hunting Titan petitioned for IPR of DynaEnergetics' '422 patent, asserting that the patent was anticipated in light of the Schacherer reference. The Board instituted the IPR and found all original claims unpatentable as anticipated by Schacherer. After institution, DynaEnergetics moved to amend the patent to add substitute claims. Hunting Titan opposed the motion based only on obviousness, not that Schacherer anticipated the proposed substitute claims. Nonetheless, the Board concluded that the original and substitute claims were unpatentable as anticipated by Schacherer and "render[ed] no findings or conclusions as to Hunting Titan's numerous obviousness challenges."

DynaEnergetics requested and was granted PTAB Precedential Opinion Panel review of the question "[u]nder what circumstances and at what time during an inter partes review … the Board [may] raise a ground of unpatentability that a petitioner did not advance or insufficiently developed against substitute proposed claims in a motion to amend[.]" The Panel vacated the Board's decision denying the motion to amend and granted DynaEnergetics' motion to add the proposed substitute claims.

In addressing DynaEnergetics' motion for rehearing, the Panel concluded that "only under rare circumstances should the need arise for the Board to advance grounds of unpatentability to address proposed substitute claims that the petitioner did not advance, or insufficiently developed, in its opposition to the motion." The Panel believed that the "better approach . . . is to rely on the incentives the adversarial system creates, and expect that the petitioner will usually have an incentive to set forth the reasons why the proposed substitute claims are unpatentable." The Panel went on to describe the "rare circumstances" when the Board should *sua sponte* raise grounds of unpatentability: (1) when a petitioner no longer participates in the IPR proceeding or (2) when the petitioner does not oppose the motion to amend. The Panel acknowledged that "there may be circumstances where certain evidence of unpatentability has not been raised by the petitioner, but is readily identifiable and persuasive such that the Board should take it up in the interest of supporting the integrity of the patent system, notwithstanding the adversarial nature of the proceedings." An example is "where the record readily and persuasively establishes that the substitute claims are unpatentable for the same reasons that corresponding original claims are unpatentable." These situations, however, are "fact-specific" and the Board has discretion to "address them as they arise."

"[O]nly under rare circumstances should the need arise for the Board to advance grounds of unpatentability to address proposed substitute claims that the petitioner did not advance, or insufficiently developed, in its opposition to the motion": (1) when a petitioner no longer participates in the IPR proceeding or (2) when the petitioner does not oppose the motion to amend.

The Panel concluded that the circumstances of this case did not "qualify as one of the rare circumstances necessitating the Board to advance a ground of unpatentability that Petitioner did not advance or sufficiently develop." The Panel faulted Hunting Titan for making the strategic choice to oppose the motion to amend on grounds of obviousness, not anticipation, and that "an unsuccessful strategy alone does not reflect a failure of the adversarial process here that might otherwise support the Board's decision to exercise its discretion sua sponte to raise a new ground of unpatentability."

On appeal, the Federal Circuit first determined that substantial evidence supported the Board's finding that the Schacherer reference anticipated the original claims of the '422 patent. The court then addressed whether the Board had a duty to *sua sponte* determine the patentability of the proposed substitute claims based on the entirety of the record and whether it was legal error for the Panel to vacate the Board's decision to do so.

First, the Federal Circuit clarified its decisions in *Aqua Products, Inc. v. Matal*, 872 F.3d 1290 (Fed. Cir. 2017), and *Nike, Inc. v. Adidas AG*, 955 F.3d 45 (Fed. Cir. 2020), stating that those decisions did not establish an affirmative duty of the Board to raise patentability challenges to proposed substitute claims that were not raised by the petitioner. While the decision in *Nike* clarified that the Board may raise grounds of unpatentability that a petitioner does not set forth, it does not address when the Board *should* do so. This is the question that the Panel answered and the court concluded the Panel "was not itself erroneous" because its decision was not inconsistent with *Aqua Products* or *Nike*.

Second, the Federal Circuit reasoned that, in the case of the '422 patent, the Panel did not preclude the Board from considering the entirety of the record. Rather, the Panel concluded that the evidence of anticipation by Schacherer "was not readily identifiable and persuasive," and the Board should not have considered whether the proposed substitute claims were unpatentable as anticipated by Schacherer. The court, however, acknowledged the "odd" inconsistency between the Panel conclusion that the Schacherer ground of anticipation was not readily identifiable and persuasive even though the Board found the original claims of the '422 patent to be unpatentable as anticipated by Schacherer.

The Federal Circuit also noted the Panel's "problematic" reasoning to confine the Board's discretion to *sua sponte* raise issues of unpatentability to "rare circumstances." The court pointed out that relying on an adversarial system as the basis to confine the Board's ability to independently raise issues of patentability "overlooks the basic purpose of IPR proceedings: to reexamine an earlier agency decision and ensure 'that patent monopolies are kept within their legitimate scope.'"

Notably, the court implied that, had Hunting Titan challenged the Panel decision as an abuse of discretion—i.e., that the Panel misapplied the "readily identifiable evidence exception"—the outcome may have been different. Indeed, Judge Prost's concurrence stated such a challenge "likely would have succeeded." But Hunting Titan failed to do so and therefore it forfeited the abuse of discretion argument.

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Accordingly, the court affirmed the Panel's grant of the motion to amend. The court also made clear that it did not determine the patentability of the proposed substitute claims; did not decide whether the Panel abused its discretion in determining that the Schacherer anticipation ground was not readily identifiable and persuasive; did not comment on the Panel's stated limitations on the Board's ability to raise patentability issues that were not advanced by the petitioner and whether those limitations are consistent with 35 U.S.C. § 318; and did not decide whether the Board has an independent duty to determine the patentability of proposed substitute claims in IPRs.

RELATED CASES

- *American Nat'l Mfg. Inc. v. Sleep No. Corp.*, 52 F.4th 1371 (Fed. Cir. 2022) (affirming grant of motion to amend claims when proposed amendments made changes that responded to grounds of unpatentability in the IPR petition and issues not addressed in the petition, reasoning that "[s]o long as a proposed claim amendment does not enlarge the scope of the claims, does not add new matter, and responds to a ground of unpatentability in the proceeding, the patent owner may also make additional amendments to a claim without running afoul of the relevant statutes and regulation").
- *Cupp Computing AS v. Trend Micro, Inc.*, 53 F.4th 1376 (Fed. Cir. 2022) (holding that the "Board is not required to accept a patent owner's arguments as disclaimer" in the IPR proceeding in which those statements are made (quoting *VirnetX Inc. v. Mangrove Partners Master Fund, Ltd.*, 778 F. App'x 897 (Fed. Cir. 2019)).

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