

Federal Circuit Cases Exploring a Year of Rules, Rulemaking, and Rule Enforcement at the PTAB

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A trio of cases this past year illustrate a trend of increasing importance in the power of Patent-Office rulemaking and enforcement, and the influence it has on patent owners and challengers alike.

First, the Federal Circuit's decision in *Parus Holdings v. Google*, Appeal No. 22-1269 (Fed. Cir. June 12, 2023) addressed 37 C.F.R. § 42.6(a)(3), which prohibits incorporating by reference arguments from another document. The Court affirmed the Patent Trial and Appeal Board's decision not to consider the patent owner's attempt to antedate a prior art reference, because the relevant arguments and evidence were incorporated by reference from multiple declarations and were not presented in the briefs themselves. Failing to antedate the reference resulted in the challenged patent being held invalid over the cited art.

The Federal Circuit struck a similar tone, with a very different outcome, in *Rembrandt Diagnostics, LP v. Alere, Inc.*, 2021-1796 (Fed. Cir. Aug 11, 2023). Here, the court endorsed the Board's leeway in the rules as asserted against a petitioner. Ordinarily, an IPR petitioner must stick to the arguments and reasoning that it sets forth in the original petition. Deviations or additional arguments are permitted, however, if they are directly responsive to new arguments presented by the patent owner.

Meanwhile, the Patent Office's authority and control over its institution decisions came under fire in *Apple v. Vidal*, 22-1249 (Fed Cir 3-13-2023). This third case addresses the Director's guidelines allowing the PTAB to deny IPR institution even in situations where the challenger raises strong challenges. These so-called *Fintiv* guidelines (based upon the precedential case of *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019 (P.T.A.B. 2020)) are regularly cited as justification for denying institution. Apple recently led a number of filers in collectively challenging these *Fintiv* factors under the APA. While their challenge has largely been unsuccessful so far, it has spurred new notice-and-comment rulemaking procedures limiting discretionary denials.

Each of these cases explores a different aspect of the Patent Office's authority to make, interpret, and apply rules as part of Congresses delegation of power under the America Invents Act.

For example, the challenged patent in *Parus* claimed priority to an application filed February 4, 2000, but the patentee argued that it could antedate an even earlier cited reference. *Parus* included nearly 40 exhibits (totaling 1,300 pages) as well as claim charts attached

to declarations establishing prior conception, diligence, and reduction to practice as of 1999. However, "*Parus* only minimally cited small portions of that material in its briefs without meaningful explanation." *Parus*, No. 2022-1269, 2023 WL 3939532, at *2 (Fed. Cir. June 12, 2023).

The Board declined to consider *Parus*'s arguments and evidence seeking to antedate *Kovatch*, explaining that *Parus* did not present these arguments in its patent owner response or sur-reply but instead did so "in several declarations and improperly incorporate[d] those arguments by reference into its Response and Sur-reply, in violation of Rule 42.6(a)(3)."

On appeal, *Parus* argued that the Board erred in applying Rule 42.6(a)(3) because the IPR statute and rules require "specific and persuasive attorney argument" only from the petitioner—not the patent owner, who is not even required to file a response. The Court rejected this argument, explaining that although a patent owner is not required to file a response, any response it chooses to file must comply with all applicable rules.

Parus further argued that the Board had improperly placed the burden of persuasion on it, by refusing to consider arguments and evidence not adequately raised in its briefing. The Court again disagreed, explaining that attempting to antedate a reference assumes a temporary burden of production. That burden "cannot be met simply by throwing mountains of evidence at the Board without explanation or identification of the relevant portions of that evidence," and that "[o]ne cannot reasonably expect the Board to sift through hundreds of documents, thousands of pages, to find the relevant facts." Rather, the patent owner must cite specific evidence and explain its relevance and applicability.

In its final argument, *Parus* suggested that the Administrative Procedure Act required the Board to consider *Parus*'s evidence, regardless of the form in which it was presented. The Court again rejected this argument, stating that the APA does not require the Board to review evidence and issues that violate the rules. The Court likened this violation of Rule 42.6(a)(3) to filings that exceed page limits or are untimely: there is no APA violation in strict enforcement of these rules.

Conversely, the Patent Owner in *Rembrandt* accused Petitioner *Alere* of presenting new theories in the Petitioner's Reply Brief, including new arguments about cost and time savings as a motivation to modify the prior art. The Federal Circuit found that these arguments were responsive to *Rembrandt*'s contention that there was no

motivation to modify the cited reference. The Court also construed Alere's discussion of cost and time savings as properly expanding on the motivation to combine presented in the Petition, which was phrased in terms of "efficiency."

The Federal Circuit also found an alternative reason to affirm, holding that Rembrandt's objection to Alere's new motivation-to-modify theory before the PTAB was too generic and therefore insufficient. The Court noted that Rembrandt had made a very specific objection regarding another new-theory issue (not on appeal), and the present objection was improper by comparison.

Having disposed of this procedural issue, the Court went on to affirm the Board's conclusions invalidating the patent as supported by substantial evidence. Importantly, Rembrandt did not provide expert testimony to rebut Alere's expert. The PTAB was therefore free to credit Alere's un rebutted evidence that the prior art satisfied the claims and that there was a motivation to combine the cited references.

Finally, the Patent Office's authority to make and enforce rules reached the height of scrutiny this past year when Apple and other companies challenged the Office's treatment of 35 U.S.C. § 314(d). Section 314 provides the USPTO Director with complete discretion to deny an IPR petition through the intersection of two provisions. First, the statute does not expressly require institution under any circumstance. Rather, it sets the reasonable-likelihood of success as a minimum threshold for granting institution. Second, the statute indicates that the decision of whether to institute is non-appealable.

A group of companies led by Apple sued the Patent Office in the Northern District of California, arguing that discretionary denials violate the APA. Apple and its co-plaintiffs identified their common interest as defendants who regularly face patent infringement allegations. As such, they argue that they are harmed by the Patent Office's arbitrary and capricious discretionary denial practice, which deprives petitioners of a regular and predictable mechanism for invalidating claims at the Patent Office.

The district court dismissed the APA case under 5 U.S.C. § 701(a)(1), finding that the Patent Office's discretionary denial practice was within the inevitable and congressionally expected delegations of power. The Federal Circuit largely affirmed that finding on appeal, though it agreed with Apple that "that the Director was required, by 35 U.S.C. § 116 together with 5 U.S.C. § 553, to promulgate the institution instructions through notice-and-comment rulemaking procedures," and failed to do so.

Apple has filed a petition for writ of certiorari challenging the Federal Circuit's affirmance. Meanwhile, Director Vidal has drafted an Advance Notice of Proposed Rulemaking (ANPRM) for potential PTAB reforms that place limits on discretionary denials. These limits fall short of what Apple has argued are appropriate, but may nonetheless comply with the Federal Circuit's remand instructions, pending intervention from the Supreme Court. Either way, the process and outcome of this new notice and comment period will only further highlight the importance of Patent Office rulemaking and enforcement in post-grant practice.