

AIA Appeals To Watch At The Federal Circuit

By **Ryan Davis**

Law360, New York (August 15, 2016, 3:42 PM ET) -- The Federal Circuit has already issued more decisions on appeals from America Invents Act reviews this year than in all of 2015, and the court will soon decide a handful of cases with the potential to shape the future of Patent Trial and Appeal Board proceedings.

In the first six months of 2016, the Federal Circuit issued 55 decisions on appeals of AIA inter partes review, compared to only 43 in all of 2015, according to data compiled by Law360. Some of the cases now on the court's docket delve into the interpretation of the AIA and the reach of the PTAB's authority, so the decisions could resonate in future proceedings.

Here's a look at some cases the Federal Circuit will decide in the coming months that PTAB practitioners should be watching.

Unwired Planet v. Google

The AIA covered business method review program, known as CBM, is a powerful tool for invalidating patents, but this case could set new limits on the availability of the program.

The AIA states that CBM review is available for patents "used in the practice, administration or management of a financial product or service." The PTAB has taken a liberal view of what that means and reviewed several patents with tenuous ties to finance, but the judges on the Federal Circuit may be poised to turn the tide.

"It will be interesting to see how the Federal Circuit rules on this and how they define the contours of what they consider to be a CBM," said Naveen Modi of Paul Hastings LLP.

The PTAB held that Unwired Planet LLC's patent on technology providing mobile phone users a list of nearby services qualifies for CBM review because the specification states the invention could be used to locate ATMs, along with pizza places and tow trucks. The board ultimately found the claims invalid for lack of written description.

Unwired Planet says the board's decision to review the patent improperly broadened the scope of what CBM covers, saying in its brief that "this patent does not claim a financial product or service any more than it claims a towing service or a pizza service."

Google, which challenged the patents, argued that the patent qualifies for CBM review because it facilitates financial transactions. However, the Federal Circuit judges seemed extremely skeptical of that position at oral arguments in June, suggesting they may restrict the reach of CBM review.

"I don't know what the [Patent Trial and Appeal Board] is doing here," U.S. Circuit Judge Todd Hughes said. "I don't think that any patent that references a financial institution or finding an ATM could be subjected to CBM review." He added that under the PTAB's view of the statute, CBM review would be available for "anything related to a bank — that could include a lightbulb you put in a lobby."

The cases are *Unwired Planet LLC v. Google Inc.*, case numbers 15-1810 and 15-1812, in the United States Court of Appeals for the Federal Circuit.

Wi-Fi One v. Broadcom

Under the AIA, inter partes review petitions cannot be filed more than a year after the petitioner is served with an infringement complaint. Parties have often sparred over the provision at the PTAB, and this case will address whether the board's decisions on the issue can be appealed. The outcome may hinge on the meaning of the word "shenanigans."

The Federal Circuit held in a September decision called *Achates* that the board's decisions on the time-bar provision are not subject to appellate review because they are part of the decision to institute a review. *Wi-Fi One LLC* argues that the U.S. Supreme Court's *Cuozzo* ruling means that holding must be reconsidered.

In *Cuozzo*, the justices held in June that since the AIA states that PTAB institution decisions are "final and nonappealable," appellate review is not available in run-of-the-mill cases. However, they said that if the the board does exceeds its statutory limits, "such 'shenanigans' may be properly reviewable."

After *Broadcom Corp.* challenged its patent in an IPR, *Wi-Fi One* argued that the petition was time-barred because although *Broadcom* was not sued itself, it worked with other companies that were sued over the patent. The PTAB rejected that argument and ultimately found the patent invalid.

On appeal, *Wi-Fi One* said that the board's decision that the petition was not time-barred involved "procedural improprieties [that] are precisely the type of 'shenanigans' that the Supreme Court indicated are subject to appellate review."

Broadcom responded that "the board's well-supported decisions here do not remotely approach the 'shenanigans' that *Cuozzo* indicated might warrant judicial review."

The case, in which the Federal Circuit heard oral arguments this month, should provide important guidance on the time bar provision, said Pauline Pelletier of *Sterne Kessler Goldstein & Fox PLLC*.

"I think this is certainly one to watch as parties try to explore what the exceptions are to the bar on appeal," she said. "I can't imagine it not having a precedential, important decision come out."

The case is *Wi-Fi One LLC v. Broadcom Corp.*, case number 15-1944, in the U.S. Court of Appeals for the Federal Circuit.

Husky Injection Molding v. Athena Automation

Can the named inventor on a patent later argue in an AIA review that it is invalid? That's the question the Federal Circuit will grapple with in this case, which deals with whether assignor estoppel applies to inter partes reviews.

Assignor estoppel is the judge-made doctrine, long applied in district court, that someone who sells a patent is barred from later attacking its validity. The PTAB held that the doctrine applies only to litigation, not to inter partes reviews, since the AIA states that anyone who is not the owner, including the inventor or the seller, can challenge a patent.

The seemingly strange scenario of someone trying to invalidate a patent bearing their name is not as uncommon as it sounds, since "the original inventor often has the most interest in having his or her own patent invalidated," said John Dragseth of Fish & Richardson PC.

The situation arises when a person devises an invention, assigns the patent to the company they work for, then leaves to start a competing business.

"It's important when someone is leaving their employer and wants to stay in the field and wants to clear things up and make sure their old patent is not going to block them," Dragseth said, noting the Husky case will determine whether "this district court doctrine should be forced on the patent office."

The case presents a classic assignor estoppel scenario. Robert Schad was founder and CEO of Husky Injection Molding Systems Ltd., which makes equipment for the plastics industry, and co-invented a patent for the technology he assigned to the company.

In 2007, he sold Husky and founded a competing company, Athena Automation Ltd., which Husky alleged infringed Schad's patent. Athena challenged the patent in an inter partes review and Husky argued that the petition was barred by assignor estoppel. The PTAB disagreed and ultimately found several claims invalid.

Husky told the Federal Circuit in its appeal brief that "the fundamental principles of fairness" mean that assignor estoppel should apply to IPRs just as it does in district court, and that Schad cannot challenge his own patent.

Assignor estoppel "stands for the principle that it is unjust (and forbidden) to sell something for value and then later assert that what was sold is worthless," it said.

Athena responded that Husky is only challenging the PTAB's decision to institute review of the patent, something the AIA says cannot be appealed, so the case should simply be dismissed. The Federal Circuit heard oral arguments in May.

The case is Husky Injection Molding System v. Athena Automation Ltd., case number 15-1726, in the U.S. Court of Appeals for the Federal Circuit.

Due Process Cases

Several appeals from PTAB decisions at the Federal Circuit involve arguments by the losing party that their due process rights were violated, and the appeals court's decisions will shape the reach of the PTAB's authority.

"No individual case is that sexy, but the due process issues are something the board is going to have to figure out over time," said Wayne Stacy of Baker Botts LLP.

The Federal Circuit's June decision in *SAS Institute Inc. v. ComplementSoft LLC* illustrates the concerns appellants have raised. The court said the PTAB improperly changed its claim construction "midstream" in an inter partes review. By interpreting the claims differently in its final decision than it did in the institution decision, the parties were deprived of the due process right to respond to the change, the court held.

The PTAB is generally required to finish AIA reviews 18 months after a petition is filed, and to speed up the process, the board has altered its claim constructions and made other holdings that parties have argued violated due process. The Federal Circuit will have to decide how much the board can do without letting the parties respond.

"The board is squeezed between this 18-month window to make a decision and having a fair process," Stacy said.

The AIA allows the board to extend the window by six months for "good cause," and Stacy said letting parties respond to an altered claim construction might be a good reason to invoke that right and extend the review. For now, arguments that the PTAB's compressed time frame is stepping on the rights of litigants are expected to grow.

"I think we're going to see a lot more of these decisions over the next six months," Modi said. "It's about the boundaries the board has from a due process perspective."

--Editing by Katherine Rautenberg and Kelly Duncan.