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**PATENTS**

## What Happens on Remand? How the PTAB Is Handling Post-Grant Proceedings Remanded to It by the Federal Circuit after a Successful Appeal



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To date, the U.S. Court of Appeals for the Federal Circuit has issued 20 decisions remanding post-grant proceedings back to the Patent Trial and Appeal Board for further consideration. But the PTAB has no rules governing remands: no time lines, no deadlines and no procedures.

We analyzed these first 20 remands in detail and a few notable trends have emerged. We first provide some general appeal statistics from post-grant proceedings. We then discuss the types of issues remanded and how the PTAB is handling them, substantively and procedurally. Finally, we provide some observations and takeaways.

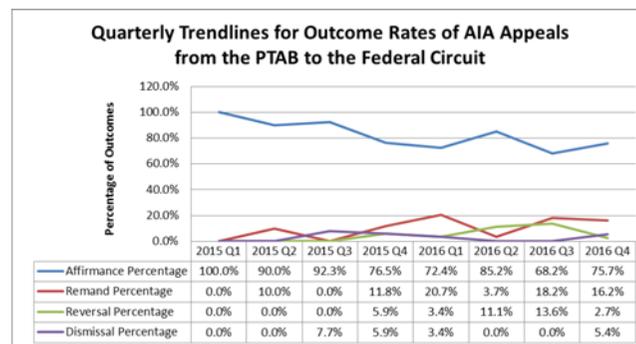
### How Many PTAB Appeals to the Federal Circuit Result in a Remand?

As of the end of 2016, the Federal Circuit has issued over 160 decisions on appeals from post-grant proceed-

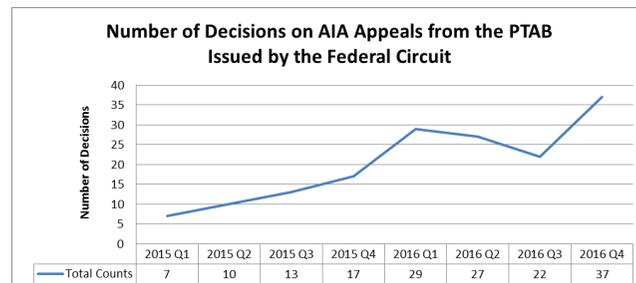
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ings. Of those, 79 percent have been affirmances, 12.3 percent at least partial remands, 5.6 percent at least partial reversals, and 3.1 percent dismissals. Since the last quarter of 2015, the remand rate appears to have increased, reaching as high as 20.7 percent in the first quarter of 2016. And consistent with this, the affirmation rate appears to be drifting downwards to align itself more closely with the affirmation rate for inter partes reexamination—which sits at roughly 70 percent. In sum, the affirmation rate for post-grant PTAB patent cases is decreasing to a point consistent with historical rates for inter partes proceedings.



(Source: Sterne, Kessler, Goldstein & Fox, PLLC, Updated January 11, 2017).



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Of the 20 remanded post-grant cases, the PTAB has resolved eight of them. Of these, the outcome with respect to patentability stayed the same in four out of the eight decisions (50 percent). The outcome with respect to patentability came out differently in three out of the eight decisions (37.5 percent). In one decision, the outcome with respect to patentability was different for some claims but not for others (12.5 percent).

With respect to the time line from issuance of the Federal Circuit's mandate to a decision on remand, pendency has varied widely—from 3.5 months to 7.7 months, with one decision still outstanding at 9.3 months. The median pendency on remand, so far, is 6.1 months and the average is 5.8 months.

## What Issues Are Being Remanded Back to the PTAB?

Of the 20 remanded cases, the Federal Circuit has remanded proceedings most frequently for the PTAB's failure to sufficiently articulate its reasoning with respect to obviousness (seven times); second most for an erroneous claim construction (five times); third most for violating the Administrative Procedures Act in some way (four times) or for some other legal error (four times).

Errors of claim construction and procedural violations are not surprising to see on this list, given the de novo standard of review. But the predominance of remands for insufficient reasoning suggests quality issues in the board's final written decisions, perhaps stemming from the high volume of case, the number of relatively new and inexperienced judges and the statutory time constraints under which the PTAB judges work.

We predict that lack of administrative thoroughness is likely to be a recurring source of remands in the years to come.

## How Is the PTAB Handling Remands Substantively?

On remand, the PTAB carefully analyzes the Federal Circuit's opinion, adopts the court's reasoning and then attempts to remedy any deficiency identified by the court. For example, in *Cutsforth, Inc. v. MotivePower, Inc.*, the court vacated the PTAB's obviousness analysis as consisting of "conclusory statements" that were insufficient to allow for meaningful judicial review. It remanded the case for further "proceedings appropriate to the administrative process." 636 F. App'x 575, 577-79, 2016 BL 17205 (Fed. Cir. 2016). On remand, the PTAB increased the length of its original decision from 33 pages to 69 pages, presumably in an attempt to comply with the court's mandate and to provide the required reasoning. In that decision, the PTAB changed the outcome with respect to some, but not all, of the claims that it originally found unpatentable.

Adopting the Federal Circuit's reasoning does not guarantee a different result. In fact, in at least half the resolved cases, the result is the same. One explanation for this is that the PTAB is not authorizing parties to submit new evidence or make any new arguments on remand. So the issues remain the same and the PTAB resolves the case on the identical record. Another explanation is that a large number of the remands are for insufficient reasoning, rather than on a dispositive legal error or an unsupported interpretation of the facts.

Consistent with this, where the court's correction of a claim construction error warrants a different reading of the prior art, most of such remands have produced a different outcome. Similarly, where the support for the PTAB's decision rested on a procedural violation, the PTAB has set aside the offending evidence and come out differently.

These points bear out in the limited number of examples available. Of the eight decisions on remand to date, three out of the four remanded for insufficient reasoning resulted in the same outcome. *Shaw Industries Group, Inc. v. Automated Creel Systems, Inc.*, IPR2013-00132, Paper 62 (P.T.A.B. Dec. 30, 2016); *Corning Optical Communications RF LLC v. PPC Broadband, Inc.*, IPR2013-00340, Paper 89 (P.T.A.B. Nov. 16, 2016); and *Ariosa Diagnostics v. Verinata Health, Inc.*, IPR2013-00276, Paper 64 (P.T.A.B. Aug. 15, 2016). In contrast, two out of the three remanded for claim construction errors resulted in a different outcome. *Corning Optical Communications RF, LLC v. PPC Broadband, Inc.*, IPR2013-00342, Paper 57 (P.T.A.B. Oct. 12, 2016); and *Sipnet EU S.R.O. v. Straight Path IP Group, Inc.*, IPR2013-00246, Paper 73 (P.T.A.B. May 23, 2016). And the one procedural violation remand decided to date resulted in a different outcome. *Dell Inc. v. Acceleron, LLC*, IPR2013-00440, Paper 49 (P.T.A.B. Aug. 22, 2016).

## How Is the PTAB Handling Remands Procedurally?

Since there are no rules governing remanded cases, procedures on remand are panel-dependent, and their scope is defined by the nature of the error identified by the court.

In a typical case, the remand decision-making process is initiated when one of the parties seeks a conference call with the PTAB after the Federal Circuit issues its mandate. During the call, the parties advocate for what kind of additional briefing, if any, they believe is justified. The PTAB then issues an order setting forth the briefing schedule and any additional parameters or restrictions. To the extent briefing is authorized, panels vary considerably in terms of the amount (ranging from 5-15 pages in length), in terms of submission (simultaneously submitted or sequentially, with reply briefing only when requested and authorized) and in terms of the timing (due anywhere from within a week to within almost three weeks). Again, there are no rules.

At least one panel has indicated that it would decide the case on remand without any input from the parties. *Adidas AG v. Nike, Inc.*, IPR2013-00067, Paper 62 (P.T.A.B. Aug. 10, 2016). In that case, neither party took any action upon issuance of the mandate. Perhaps as a result, the PTAB did not issue its order on remand for over four months. A decision on remand in that case is still pending over nine months after the initial remand.

Given that the PTO has yet to promulgate any rules or guidance on remand proceedings, panel-dependent briefing and submission requirements are likely to be the norm for the foreseeable future.

That said, some basic questions have been resolved. First, the PTAB does not see itself as under any statutory deadline for issuing a new final written decision on remand. Indeed, two panels have expressly stated that 35 U.S.C. § 316(a)(11), which sets the one-year deadline for completing a post-grant proceeding trial, is inapplicable to proceedings on remand. *Microsoft Corp. v. Proxyconn, Inc.*, IPR2012-00026, Paper 80 (P.T.A.B.

Dec. 9, 2015); *Shaw v. Automated Creel*, IPR2013-00132, Paper 60 (P.T.A.B. Oct. 14, 2016). Related to this, the PTAB has stayed proceedings on remand pending a decision on a cert petition to the Supreme Court. *Id.*; *but see SAS Institute, Inc. v. ComplementSoft, LLC*, IPR2013-00226, Paper 48 (P.T.A.B. Dec. 15, 2016) (declining to stay remand proceedings pending a decision on a cert petition, finding some issues on remand to be independent of that process).

Second, the PTAB appears to contemplate that its decision on remand is itself appealable, directing parties to the regulations governing notice of appeal filings in the concluding section of each decision on remand, i.e., 37 C.F.R. § 90.2. To date, two notices of appeal have been filed in response to remand decisions.

Given the time limits placed on post-grant proceedings by statute, the specter of multiple appeals may place the PTAB's current remand practices under scrutiny. Indeed, the notion that a post-grant proceeding could stagnate indefinitely on remand may raise important structural questions about the appeal process and what Congress intended when it enacted 35 U.S.C. § 316(a)(11). In the briefing for *Microsoft v. Proxycconn* before the Federal Circuit, Proxycconn argued in its reply brief that a remand in that case would violate 35 U.S.C. § 316(a)(11) because the maximum time allowed (18 months) had already expired. While the panel explored the issue with counsel during the oral argument, the court's opinion is silent on the applicability or inapplicability of the statutory time mandate to remand proceedings.

## What Are the Practical Takeaways from Remands Decided To-Date?

As matters stand, remands to the PTAB from the Federal Circuit are a reality and will likely remain a significant part of the PTAB's future. Having procedures on remand may go a long way towards ensuring consistency.

Yet it is understandably difficult to design rules that are both clear enough to resolve doubt and flexible enough to afford the PTAB discretion to tailor remand proceedings to the issues involved. As we enter a new chapter in post-grant proceedings, one in which we may see multiple appeals to the Federal Circuit, practitioners and decision makers alike should consider the impact of remands on the intent of 35 U.S.C. § 316(a)(11). We end with three recommendations:

1. *Be proactive.* If you desire speedy resolution, reach out to the opposing party (if there is one) and jointly initiate a call with the PTAB soon after the court issues its mandate. The board does not seem inclined to act on its own.
2. *Be creative.* Since there are no fixed rules, review the court's decision carefully, determine what relief you may be entitled to and then devise a plan to best assist the PTAB in resolving the case.
3. *Be assertive.* Go to the PTAB with a definitive plan. After discussing potential parameters with opposing counsel, at a minimum, ask for supplemental briefing to assist the board in understanding the court's decision and resolving the case. Have a proposal for timing, page limits, scope limits, deadlines, perhaps a proposed order, etc.