

Precedential Patent Case Decisions During August 2017

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I. Introduction

This paper abstracts what I believe to be the significant new points of law from the precedential decisions in patent cases this month. Cases names relating to the PTAB are in red text. Case names of extraordinary importance are in blue text.

II. Abstracts of New Points of Law

Nantkwest, Inc. v. Matal, 2016-1794 (Fed. Cir. 8/31/2017)(en banc sua sponte order for rehearing).

Legal issue: 35 USC 145, construction of “[a]ll the expenses of the proceedings” provision.

This is a per curiam sua sponte order for rehearing, vacating the panel decision of June 23, 2017, reinstating the appeal, in E.D. VA. case 1:13-cv-01566-GBLT/CB. The panel decision held that the “[a]ll expenses of the proceedings” under § 145 "includes the pro-rata share of the attorneys’ fees the USPTO incurred to defend applicant’s appeal." The order requesting briefing on the following issue:

Did the panel in *NantKwest, Inc. v. Matal*, 860 F.3d 1352 (Fed. Cir. 2017) correctly determine that 35 U.S.C. § 145’s “[a]ll the expenses of the proceedings” provision authorizes an award of the United States Patent and Trademark Office’s attorneys’ fees? [*Nantkwest, Inc. v. Matal*, 2016-1794 (Fed. Cir. 8/31/2017) (en banc sua sponte order for rehearing).]

Vicor Corporation v. Synqor, Inc., 2016-2283 and 2016-2288 (Fed. Cir. 8/30/2017).

This is a decision on two appeals from two PTAB decisions, in PTAB cases 95/001,861 and 95/001,637. The Federal Circuit affirmed in part, vacated in part, and remanded.

The Federal Circuit noted that "Despite sharing a common panel and having opinions issued on the same date, the decisions in the respective reexaminations contain inconsistent findings on identical issues and on essentially the same record."

Legal issue: 5 USC 706, requirement for "substantial evidence" to support a Board finding of fact and rationality in legal conclusions.

The Federal Circuit found that unexplained inconsistencies in findings and irrational conclusions failed evidentiary standard of review and were arbitrary or capricious.

The Board implicitly made inconsistent findings of the evidentiary weight to be given to the secondary considerations evidence, because it reached opposite conclusions on obviousness on the same evidence on substantially the same record and issues, in the two proceedings, without providing a reasoned explanation for the opposite results. The Federal Circuit rejected that procedure.

Regarding the Board's inconsistent conclusions as to the evidentiary weight, the Court went on to explained and cabin its holding:

The Board's decision is also erroneous because the Board reached inconsistent conclusions regarding the weight to be accorded the objective indicia evidence presented in both reexaminations of the SynQor Patents. In the '290's reexamination, the Board found the objective evidence to be so persuasive that it approved of the examiner's decision to withdraw rejections without analyzing the remaining Graham factors and without considering our holding in *SynQor II* that claims covering IBA's basic concept were anticipated by Steigerwald. In the '021's reexamination, however, the Board determined that the objective evidence principally related to features of the claims that were found to be anticipated in SynQor II and, therefore, found that there was no nexus between the objective evidence and the claims of the '021 patent. The Board's decisions do not evince any explanation or justification for these inconsistent findings, given the similarity between the claims at issue in the respective reexaminations. While not every instance of an agency reaching inconsistent outcomes in similar, related cases will necessarily be erroneous, under the circumstances here, where a panel simultaneously issues opinions on the same technical issue between the same parties on the same record, and reaches opposite results without explanation, we think the best course is to vacate and remand these findings for further consideration. *See Local 814, Int'l Bhd. of Teamsters v. N.L.R.B.*, 512 F.2d 564, 567 (D.C. Cir. 1975) (remanding two decisions of the National Labor Relations Board that were "factually similar and ostensibly inconsistent" because the Board "ha[d] not explained its reasons for reaching different results"). Thus, the Board appeared to arrive at different conclusions in the '290 and '021's respective reexaminations as to the persuasiveness of the objective evidence presented in both reexaminations. [*Vicor Corporation v. Synqor, Inc.*, 2016-2283 and 2016-2288 (Fed. Cir. 8/30/2017).]

On a different ground of rejection than the one discussed above, the Board reached inconsistent conclusions on the existence of motivation to modify the same prior art in both proceedings, again providing no explanation for the inconsistency. The Federal Circuit found this to be error, stating:

In the '290's reexamination, the Board held that it would not have been obvious to use Pressman's switching regulators for Steigerwald's regulation stage. Yet on the same day, the Board reached the opposite conclusion on this issue in the '021's reexamination on essentially the same record. [Footnote 17 omitted.] Because the Board did not provide any reasoned explanation for the inconsistent result across the two reexaminations, we vacate and remand the Board's decision on proposed rejections V–VI in the '290's reexamination and rejections III–IV in the '021's reexamination. *See Local 814*, 512 F.2d at 567. [*Vicor Corporation v. Synqor, Inc.*, 2016-2283 and 2016-2288 (Fed. Cir.

8/30/2017).]

The Court went on to provide this guidance:

We find that the direct conflict between the Board’s fact findings in the reexaminations before us is unsupported by any rational explanation in either of the Board’s decisions. *See Gartside*, 203 F.3d at 1312 (citing *Hyundai Elecs. Indus. Co. v. ITC*, 899 F.2d 1204, 1209 (Fed. Cir. 1990), which noted that the “touchstone” of the “arbitrary, capricious” standard is “rationality”). “[A]n agency’s [fact] finding may be supported by substantial evidence,” yet “nonetheless reflect arbitrary and capricious action.” *Bowman Transp., Inc. v. Arkansas–Best Freight Sys., Inc.*, 419 U.S. 281, 284 (1974). Moreover, “this is not a case where a more reasoned explanation than that provided by the Board can be gleaned from the record.” *Arendi S.A.R.L. v. Apple Inc.*, 832 F.3d 1355, 1366 (Fed. Cir. 2016). As explained above in § I.B., our opinion today should not be read to suggest agency error whenever an agency reaches inconsistent outcomes in similar, related cases. But given the circumstances here, we think the best course is to vacate and remand for further consideration. On remand, the Board must at least provide some reasoned basis for its opposite holdings, if it chooses to maintain those same, opposing results. [*Vicor Corporation v. Synqor, Inc.*, 2016-2283 and 2016-2288 (Fed. Cir. 8/30/2017).]

Return Mail, Inc. v. United States Postal Service, 2016-1502 (Fed. Cir. 8/28/2017).

This is a decision on appeal from PTAB case CBM2014-00116. The PTAB held that Postal Service had statutory “standing” and that the challenged claims were patent ineligible under 35 USC 101. Return Mail appealed. A majority of the Federal Circuit panel, consisting of Judges Prost and Wallach affirmed. Judge Newman dissented.

Legal issue: AIA section § 18(a)(1)(B), Federal Circuit "authority to review the Board’s determination that the Postal Service had standing to petition for CBM review"

This section reads "[a] person may not file a petition for a transitional proceeding with respect to a covered business method patent unless the person or the person’s real party in interest or privy has been sued for infringement of the patent or has been charged with infringement under that patent." The majority held that "§ 324(e) does not bar judicial review of the Board’s decision that a party satisfies § 18(a)(1)(B)’s requirements to petition for CBM review."

As a threshold matter, we first consider whether we have authority to review the Board’s determination that the Postal Service had standing to petition for CBM review, a question that we have never previously answered. The AIA authorizes appeals from the Board’s final written decision in a CBM review proceeding. 35 U.S.C. § 329. But the statute also includes a “No Appeal” provision, 35 U.S.C. § 324(e), stating that “[t]he determination by the Director whether to institute . . . review under this section” is “final and nonappealable.” (Emphasis added). The Postal Service argues that § 324(e) bars this court from

revisiting whether “the Board erred in instituting the proceeding in the first place,” based in part on the determination that the Postal Service had § 18(a)(1)(B) standing. Appellees’ Br. 17. *** For the foregoing reasons, we hold that § 324(e) does not bar judicial review of the Board’s decision that a party satisfies § 18(a)(1)(B)’s requirements to petition for CBM review. [Return Mail, Inc. v. United States Postal Service, 2016-1502 (Fed. Cir. 8/28/2017).]

Legal issue: AIA § 18(a)(1)(B), whether a 28 USC 1498(a) law suit satisfies the requirement in AIA § 18(a)(1)(B) of having "been sued for infringement of the patent."

The majority concluded that a suit under 1498(a) satisfied the AIA § 18(a)(1)(B) requirement of having been "been sued for infringement of the patent."

We turn now to the Board’s determination that the Postal Service had standing to petition for CBM review because it had been “sued for infringement” of the ’548 patent within the meaning of § 18(a)(1)(B). *** Applying fundamental canons of statutory construction, we agree with the Postal Service that being sued under § 1498(a) is broad enough to encompass being sued for “infringement” as that term is used in § 18(a)(1)(B). [Return Mail, Inc. v. United States Postal Service, 2016-1502 (Fed. Cir. 8/28/2017).]

Legal issue: 35 USC 101, patent subject matter eligibility.

The majority also provided guidance regarding the interplay of 101 eligibility and preemption.

Finally, we address Return Mail’s request for clarification on “the role that preemption plays” in the § 101 analysis. *** Certainly, preemption is the underlying “concern that drives” the § 101 analysis. *** But we have consistently held that claims that are otherwise directed to patent-ineligible subject matter cannot be saved by arguing the absence of complete preemption. *See, e.g., Synopsys*, 839 F.3d at 1150 (holding that an argument about the absence of complete preemption “misses the mark”); *FairWarning*, 839 F.3d at 1098 (“But even assuming that the . . . patent does not preempt the field, its lack of preemption does not save these claims.”); *Intellectual Ventures I LLC v. Symantec Corp.*, 838 F.3d 1307, 1320–31 (Fed. Cir. 2016) (same); *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362–63 (Fed. Cir. 2015), *cert. denied*, 136 S. Ct. 701 (2015) (“[T]hat the claims do not preempt all price optimization or may be limited to [a particular] setting do not make them any less abstract.”). As we have explained, “questions on preemption are inherent in and resolved by the § 101 analysis.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015), *cert. denied*, 136 S. Ct. 2511 (2016). “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Id.* Arguments about the lack of preemption risk cannot save claims that are deemed to only be directed to patent ineligible subject matter. [Return Mail, Inc. v. United States Postal Service, 2016-1502

(Fed. Cir. 8/28/2017).]

Legal issue: 35 USC 101, patent subject matter eligibility, relationship to 35 USC 102 and 103.

The majority also provided guidance regarding the interplay of 101 eligibility and compliance with 35 USC 102 and 103.

Relatedly, we reject Return Mail’s implication that the Board reached inconsistent results by concluding that claims 42–44 are not patent-eligible under § 101 yet holding that the claims are not invalid as anticipated under 35 U.S.C. § 102 or obvious under 35 U.S.C. § 103. A “pragmatic analysis of § 101 is facilitated by considerations analogous to those of §§ 102 and 103.” *Internet Patents Corp. v. Active Network, Inc.*, 790 F.3d 1343, 1347 (Fed. Cir. 2015). And § 101 subject matter eligibility is a “threshold test” that typically precedes the novelty or obviousness inquiry. *Bilski v. Kappos*, 561 U.S. 593, 602 (2010); see also Manual of Patent Examining Procedures § 2103 “Patent Examination Process” (9th ed., Nov. 2015) (listing steps of the patent examination process, with “[d]etermine whether the claimed invention complies with 35 U.S.C. 101” listed before “[d]etermine whether the claimed invention complies with 35 U.S.C. 102 and 103”). But § 101 subject-matter eligibility is a requirement separate from other patentability inquiries. *See Mayo*, 566 U.S. at 90 (recognizing that the § 101 inquiry and other patentability inquiries “might sometimes overlap,” but that “shift[ing] the patent-eligibility inquiry entirely to these [other] sections risks creating significantly greater legal uncertainty, while assuming that those sections can do work that they are not equipped to do”); *Diehr*, 450 U.S. 175 at 190 (“The question . . . of whether a particular invention is novel is ‘wholly apart from whether the invention falls into a category of statutory subject matter.’”). [Return Mail, Inc. v. United States Postal Service, 2016-1502 (Fed. Cir. 8/28/2017).]

Note: I should note that Judge Newman's dissent focused on the conclusion that the United States and its agencies were not within the definition of “person” in § 18(a)(1)(B). The majority responded by noting that was not an issue brief by the parties and that the United States could be a statutory "person."

Ultratec, Inc. v. CaptionCall, LLC, 2016-1706, 2016-1707, 2016-1710, 2016-1712 (Fed. Cir. 8/28/2017).

This is a decision on appeals in which the body of the decision indicates the appeals are from PTAB cases IPR2013-00549 and IPR2014-00780, but the caption pages identify other IPRs. The Federal Circuit vacated and remanded, noting that "the Board failed to consider material evidence and failed to explain its decisions to exclude the evidence" and that this action was an abuse of discretion. This is an important decision constraining the discretion of the PTAB to manage its permissive rules. The decision goes to the Board's practice of limiting the record when requiring authorization to file a motion. This decision substantially limits the Board's long standing the two-step motions practice.

Anecdotally, I note that the Federal Circuit indicates in footnote 2 that the PTO's reference to IPR proceeding as "trials" is inaccurate ("The PTO at times refers to the IPR proceedings as a "trial." PTO Br. 5. Very seldom do IPR proceedings have the hallmarks of what is typically thought of as a trial. *** In this case, the IPR proceeding itself was limited to a brief argument by the lawyers for each side, and there was no live testimony by any witness.") 37 CFR 42.2 defines "trial," stating "[t]rial means a contested case instituted by the Board based upon a petition. A trial begins with a written decision notifying the petitioner and patent owner of the institution of the trial." When the PTO proposed this rule I submitted comments noting that the definition of "trial" was not consistent with the statutory language defining to a PTAB AIA proceeding. [See "Comments on Proposed Rules of Practice Before the Board for AIA Proceedings" Rick Neifeld, March 27, 2012.](#) My suggestion was to "globally replace 'trial' with 'proceeding' to comport with the AIA." Obviously, my suggestion was not adopted.

Legal issue: 5 USC 706, abuse of discretion, failure to allow submission of evidence under 37 CFR 42.123(b).

Rule 123(b) requires a showing why submission of supplemental information more than one month after the date of institution requires a showing that the information could not have been obtained earlier and would be in the interests-of-justice. The Federal Circuit noted that the PTO defined the interests-of-justice standard to require the movant to show they were "fully diligent" and lack of "undue prejudice" and concluded that Ultratec met that standard. The Court noted:

This record affords but one reasonable conclusion: Ultratec satisfied both of § 42.123(b)'s requirements for allowing Ultratec to file a motion to admit Mr. Occhiogrosso's trial testimony. First, the evidence could not have been obtained earlier. Ultratec emailed the Board requesting authorization to file a motion to supplement the record the week after the jury trial concluded. This is not evidence that could have been located earlier through a more diligent or exhaustive search; it did not exist during the IPR discovery period. The fact that Ultratec could have, but did not, depose and obtain inconsistent testimony from Mr. Occhiogrosso during the IPR itself is not a basis for concluding otherwise. Ultratec argues that during cross examination at trial in front of the jury Mr. Occhiogrosso offered testimony that is inconsistent with his IPR testimony. That inconsistent testimony did not exist sooner and thus could not have been proffered to the Board sooner. *** The Board abused its discretion when it refused to admit and consider Mr. Occhiogrosso's trial testimony and when it refused to explain its decision. [[Ultratec, Inc. v. CaptionCall, LLC](#), 2016-1706, 2016-1707, 2016-1710, 2016-1712 (Fed. Cir. 8/28/2017).]

The Board offers no reasoned basis why it would not be in the interest of justice to consider sworn inconsistent testimony on the identical issue. Ultratec sought to offer recent sworn testimony of the same expert addressing the same patents, references, and limitations at issue in the IPRs. A reasonable adjudicator would have wanted to review this evidence. If Mr. Occhiogrosso gave conflicting testimony on cross-examination, this would be highly relevant to both the Board's analysis of the specific issues on which he gave inconsistent testimony and to the

Board's overall view of his credibility. Mr. Occhiogrosso's testimony was critical to the Board's fact findings in this case, as the opinions' repeated reliance on it establishes. Under such circumstances, no reasonable fact finder would refuse to consider evidence of inconsistent sworn testimony. Moreover, any such inconsistencies would likely bear on the overall credibility of the expert. [Ultratec, Inc. v. CaptionCall, LLC, 2016-1706, 2016-1707, 2016-1710, 2016-1712 (Fed. Cir. 8/28/2017).]

Admitting and reviewing Mr. Occhiogrosso's trial testimony would have placed minimal additional burden on the Board. Live testimony is rare in IPR hearings, which typically last only about an hour. See 77 Fed. Reg. at 48,762. The Board—as it did in these IPRs—makes credibility determinations based only on written declarations. Ultratec sought to introduce more written testimony. This is the exact type of evidence the Board routinely relies upon to determine credibility. There would have been very little administrative burden to reviewing more on-point testimony from the same expert on the same exact issues. Had the testimony been inconsistent, a reasonable fact finder would consider the inconsistencies. Had the testimony been consistent, the Board would not have had to spend any more time on the issue. [Ultratec, Inc. v. CaptionCall, LLC, 2016-1706, 2016-1707, 2016-1710, 2016-1712 (Fed. Cir. 8/28/2017).]

Footnote 3 addresses a PTO argument on appeal regarding timeliness, stating:

The PTO speculates on appeal that the Board denied the request for authorization because it was too late in the proceedings to admit new evidence. PTO Br. 19. Section 42.123(b) expressly contemplates late submission of supplemental information and articulates the two factors to be assessed in determining its admissibility. It thus cannot be the case that the late filing alone precludes consideration of the evidence. Ultratec requested to supplement the record three weeks prior to the IPR hearings. This would normally give the Board sufficient time to review the supplemental testimony and prepare any necessary questions for oral argument. Moreover, the same statute that imposes a one-year deadline for the Board to make its final determination gives it the ability to extend the deadline if good cause is shown. See 35 U.S.C. § 316(a)(11). [Ultratec, Inc. v. CaptionCall, LLC, 2016-1706, 2016-1707, 2016-1710, 2016-1712 (Fed. Cir. 8/28/2017).]

The Court noted problems with the Board's practice of preventing substantive submissions of evidence in support of a verbal motions for the right to file a written motion, when deciding whether to grant the right to file the written motion.

A number of problems with the Board's procedures contributed to its errors in this case. First, the Board lacked the information necessary to make a

reasoned decision. According to the Board, the movant cannot submit for consideration the evidence it seeks to admit into the record, and its briefing “must not include a discussion of the contents or types of the particular documents sought to be entered.” PTO Br. at 10 n.8. In this case, the Board denied a request to admit evidence without ever seeing the evidence it was denying; it never reviewed Mr. Occhiogrosso’s testimony because Ultratec was not allowed to submit that evidence with its request to file a motion to supplement the record. The Board’s only exposure to the disputed testimony was the parties’ competing characterizations of it during the conference call for which there exists no record. [Ultratec, Inc. v. CaptionCall, LLC, 2016-1706, 2016-1707, 2016-1710, 2016-1712 (Fed. Cir. 8/28/2017).]

Second, the Board’s procedures allowed it to make significant evidentiary decisions without providing an explanation or a reasoned basis for its decisions. *See Motor Vehicle Mfgs. Ass’n of U.S. v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 43 (1983) (“[T]he agency must examine the relevant data and articulate a satisfactory explanation for its action including a rational connection between the facts found and the choice made.” (internal quotation marks omitted)). [Ultratec, Inc. v. CaptionCall, LLC, 2016-1706, 2016-1707, 2016-1710, 2016-1712 (Fed. Cir. 8/28/2017).]

Third, the Board’s procedures impede meaningful appellate review of the agency decision-making. “[W]e will uphold a decision of less than ideal clarity if the agency’s path may reasonably be discerned, but we may not supply a reasoned basis for the agency’s action that the agency itself has not given.” *Rovalma, S.A. v. Bohler-Edelstahl GmbH & Co.*, 856 F.3d 1019, 1024 (Fed. Cir. 2017) (internal quotation marks omitted). “For judicial review to be meaningfully achieved within these strictures, the agency tribunal must present a full and reasoned explanation of its decision.” *In re Lee*, 277 F.3d 1338, 1342 (Fed. Cir. 2002). The agency does not have unfettered discretion in these matters, and we cannot affirm agency decision making where the agency fails to provide a reasoned basis for its decision. *See SEC v. Chenery Corp.*, 318 U.S. 80, 94 (1943) (“[T]he orderly functioning of the process of review requires that the grounds upon which the administrative agency acted b[e] clearly disclosed and adequately sustained.”); *SEC v. Chenery Corp.*, 332 U.S. 194, 196 (1947) (“That rule is to the effect that a reviewing court, in dealing with a determination or judgment which an administrative agency alone is authorized to make, must judge the propriety of such action solely by the grounds invoked by the agency. If those grounds are inadequate or improper, the court is powerless to affirm the administrative action by substituting what it considers to be a more adequate or proper basis.”). There is no Board order explaining why it denied Ultratec’s request to file a motion to supplement the record. Nor is there any Board explanation capable of review from the conference call. [Footnote 5 omitted.] We are also prohibited from viewing Mr. Occhiogrosso’s testimony because it is not part of the record. In district court

litigation, a party dissatisfied with a ruling excluding evidence is allowed to make an offer of proof to preserve error. Fed. R. Evid. 103. Parties in IPRs are not given similar protections. [Footnote 6 omitted.] In this case, the PTO forbade even a “discussion of the contents or types of the particular documents sought to be entered.” PTO Br. at 10 n.8. And it refused to permit the record to include Ultratec’s email requesting authorization to file a motion to supplement the record. Excluding such discussion from the record contributes to the unreviewability of the Board’s decision-making. [Ultratec, Inc. v. CaptionCall, LLC, 2016-1706, 2016-1707, 2016-1710, 2016-1712 (Fed. Cir. 8/28/2017).]

Procedural issue, 5 USC 706, abuse of discretion. The patentee bears no burden to memorialize agency action or reasoning. The PTAB’s failure to explain the denial of a party’s request to make a motion is an abuse of discretion.

CaptionCall and the PTO argue Ultratec bore the responsibility to memorialize the conference call if it desired a written record. CaptionCall Br. 28; PTO Br. 25. There are, however, no statutes, regulations, statements in the Patent Trial Practice Guide, nor even notes on the PTO’s website informing parties that they have the right to hire a stenographer to transcribe conference calls. We find no burden on the patentee to memorialize agency action or reasoning. It is the agency that has the obligation to fulfill its APA duty to provide a “satisfactory explanation for its action.” See *Motor Vehicle Mfgs. Ass’n*, 463 U.S. at 43. [Ultratec, Inc. v. CaptionCall, LLC, 2016-1706, 2016-1707, 2016-1710, 2016-1712 (Fed. Cir. 8/28/2017).]

The only reason there is any written record of the dispute is because Ultratec raised the issue in a motion for rehearing. The Board addressed the issue in its order denying rehearing, but it did not explain why it denied the request for authorization. See J.A. 6394–95. The Board noted that a conference call occurred, but it never stated what was discussed on the call. J.A. 6394. Nor did the Board address the substance of Mr. Occhiogrosso’s trial testimony. *Id.* And although the Board cited the interests of justice provision of 37 C.F.R. § 42.123(b), it never explained why its actions were in the interests of justice. *Id.* The Board explained that it was not obligated to provide an explanation in the first place. The Board reasoned that “Patent Owner argues that the record is incomplete because we did not issue an order denying its motion. Req. Reh’g 13–14. Patent Owner’s [sic] mischaracterizes the events in this proceeding because no such motion was denied; we denied Patent Owner’s *request for authorization* to submit evidence and, as such, no order denying its motion was necessary.” *Id.* If the APA requires the Board to explain a denial of a motion then it likewise requires the Board to explain the denial of a request to make a motion. To the extent the Board views the two-step process it created to file motions as insulating it from its APA obligations, this is incorrect. [Ultratec, Inc. v. CaptionCall, LLC, 2016-1706, 2016-1707, 2016-1710, 2016-1712 (Fed. Cir. 8/28/2017).]

In re Stepan Company, 2016-1811 (Fed. Cir. 8/25/2017).

This is a decision on Stepan's appeal from the PTAB decision affirming the examiner's obviousness rejection in application 12/456,567. The Federal Circuit vacated and remanded. The Federal Circuit concluded that "The Board failed to explain why it would have been 'routine optimization' to select and adjust the claimed surfactants and achieve a cloud point above at least 70°C."; that the Board did not "articulate why a person of ordinary skill in the art would have had a reasonable expectation of success to formulate the claimed surfactant system with a cloud point above at least 70°C."; that the Board "undisputedly erred" in concluding, contrary to Stepan's evidence, that the examples in Pallas did not include all three of the claimed surfactants, and despite Stepan's evidence showing these examples "failed to achieve a [the claimed] cloud point above at least 70°C." And, "Lastly, the Board erred when it shifted the burden of proving patentability to Stepan, apparently by not treating the claim requirement of the "cloud point above at least 70°C" as a limitation in a composition claim. On this last point, the Federal Circuit stated:

The claimed surfactant system contains four elements. The first three elements describe the surfactants, and their respective ranges, that comprise the surfactant system. The fourth element limits the combination of those surfactants to only those combinations that produce a cloud point above at least 70°C or no cloud point at all. The cloud point thus limits and defines the scope of what surfactant combinations satisfy the claimed composition. It therefore may be that not all compositions that contain the claimed combination and range of surfactants fall within the claims. As an element of the composition claims, it was the PTO's—not Stepan's—burden to show that achieving a cloud point above 70°C would have been obvious to a person of ordinary skill in the art. To the extent the Board shifted the burden to Stepan to show the criticality of the cloud point element, the Board erred. [In re Stepan, 2016-1811 (Fed. Cir. 8/25/2017).]

Nidec Motor Corporation v. Zhongshan Broad Ocean Motor Co. Ltd., 2016-2321 (Fed. Cir. 8/22/2017).

This is a decision on appeal by Nidec from the PTAB decisions for IPR2014-01121 and IPR2015-00762. The PTAB held the claims invalid under 103 and 102. Zongshan presented the 102 in a second petition filed after the 315(b) deadline, requesting joinder with their own earlier filed petition. A panel of the PTAB denied the second petition on the basis it was barred by 315(b). On rehearing, an expanded panel of the PTAB instituted the second petition, the one presenting the 102 ground, and joined the second petition to the first petition. The PTAB final decision held the claims invalid based upon both the 102 and 103 grounds.

The Federal Circuit affirmed the 103 ground, thereby avoiding a need to consider the 102 ground. Judge Dyk, for Judges Dyk and Wallach, wrote a concurring opinion to address the PTO's behavior surrounding the second petition. The quotes below are from their concurrence.

Although we join the per curiam decision in full, we write separately to express our concerns as to the United States Patent and Trademark Office's ("PTO") position on joinder and expanded panels since those issues are likely to

recur. Although we do not decide the issues here, we have serious questions as to the Board's (and the Director's) interpretation of the relevant statutes and current practices. *** The joinder dispute in this case turns on the relationship between the joinder provision of § 315(c) and the exception to the time bar in § 315(b). Section 315(b) ordinarily bars a petitioner from proceeding on a petition if it is filed more than one year after the petitioner is sued for patent infringement. *Id.* Without the exception to that rule described in the second sentence of § 315(b), an untimely petition would still be barred even if it raised the same issues as those involved in an existing proceeding that had been timely initiated by a different petitioner. But the exception makes clear that the time bar "shall not apply to a request for joinder under subsection (c)." Thus, the exception to the time bar for "request[s] for joinder" was plainly designed to apply where time-barred Party A seeks to join an existing IPR timely commenced by Party B when this would not introduce any new patentability issues. This is supported by the legislative history for the joinder provision, § 315(c). See H.R. Rep. No. 112-98, pt. 1, at 76 (2011) (explaining that under § 315(c), "[t]he Director may allow other petitioners to join an [IPR]").

The issue in this case is whether the time bar provision allows a time-barred petitioner to add new issues, rather than simply belatedly joining a proceeding as a new party, to an otherwise timely proceeding. Section 315(c) does not explicitly allow this practice. We think it unlikely that Congress intended that petitioners could employ the joinder provision to circumvent the time bar by adding time-barred issues to an otherwise timely proceeding, whether the petitioner seeking to add new issues is the same party that brought the timely proceeding, as in this case, or the petitioner is a new party.

Second, we are also concerned about the PTO's practice of expanding administrative panels to decide requests for rehearing in order to "secure and maintain uniformity of the Board's decisions." Director Br. 27. Here, after a three-member panel of administrative judges denied petitioner Broad Ocean's request for joinder, Broad Ocean requested rehearing and requested that the rehearing be decided by an expanded panel. Subsequently, "[t]he Acting Chief Judge, acting on behalf of the Director," J.A. 933 n.1, expanded the panel from three to five members, and the reconstituted panel set aside the earlier decision.

Nidec alleges that the two administrative judges added to the panel were chosen with some expectation that they would vote to set aside the earlier panel decision. The Director represents that the PTO "is not directing individual judges to decide cases in a certain way." Director Br. 21 (quotation marks omitted). While we recognize the importance of achieving uniformity in PTO decisions, we question whether the practice of expanding panels where the PTO is dissatisfied with a panel's earlier decision is the appropriate mechanism of achieving the desired uniformity. But, as with the joinder issue, we need not resolve this issue here. Nor need we address the predicate issue of appealability. [Nidec Motor Corporation v. Zhongshan Broad Ocean Motor Co. Ltd., 2016-2321 (Fed. Cir. 8/22/2017)(Concurring opinion by Judge Dyk, for Judges Dyk and Wallach).]

Note 1: APJ Boucher, joined by APJ Wood, dissented from the expanded panel decision, stating:

As in *Target Corp. v. Destination Maternity Corp.*, Case IPR2014- 00508 (PTAB Feb. 12, 2015) (Paper 28) (expanded panel), the Board uses an expanded panel on rehearing to arrogate power beyond that granted by Congress. Because the majority's determination that 35 U.S.C. §§ 315(b) and 315(c) provide discretion to join time-barred issues to an inter partes review proceeding is ultra vires, I respectfully dissent. [Zhongshan Broad Ocean Motor Co., Ltd., v. Nidec Motor Corporation, IPR2016-00062, paper 67, (PTAB 10/5/2015) (Dissenting opinion by APJ Boucher, for APJs Boucher and Wood).]

Note 2: The Board also used an expanded panel on rehearing to effect reversal of the panel decision on the same issue in the earlier case: Target Corporation v. Destination Maternity Corporation, IPR2014-00508, paper 28 (PTAB 2/12/2015; Decision on rehearing by APJ Green, for an expanded panel consisting of APJs Tierney, Green, Chang, Giannetti, Bisk, Fitzpatrick, and Weatherly; dissent by APJ Fitzpatrick for APJs Fitzpatrick, Bisk, and Weatherly).

Note 3: According to concurring opinion:

While we recognize the importance of achieving uniformity in PTO decisions, we question whether the practice of expanding panels where the PTO is dissatisfied with a panel's earlier decision is the appropriate mechanism of achieving the desired uniformity. But, as with the joinder issue, we need not resolve this issue here.

I thought that very issue *was decided* long ago in the plurality opinion in the en banc decision in *In re Alappat*. (Concluding "We leave to the legislature to determine whether any restrictions should be placed on the Commissioner's authority in this regard. Absent any congressional intent to impose such restrictions, we decline to do so *sua sponte*.")

Alvarado Hospital, LLC v. Thomas E. Price (as renamed by an errata, originally named Alvarado Hospital, LLC v. Cochran), 2016-1356 (Fed. Cir. 8/22/2017).

This is a decision on appeal from the C.D. Cal. district court case 2:15-cv-06312-R-PLA. The district court ordered the case transferred to the United States Court of Federal Claims. Alvarado et al. (identified by the Court as "Prime Hospitals") appealed. The Federal Circuit affirmed-in-part, reverse-in-part, and remanded for further proceedings.

Legal issue: 28 USC 1491 jurisdiction of the Court of Federal Claims.

The Federal Circuit held that the Court of Federal Claims had exclusive jurisdiction over contract claim not arising under the Medicare Act, and that the claims court did not have jurisdiction over the alternative claims for a DJ, an injunction, and mandamus.

The Federal Circuit concluded that the Tucker Act does not confer DJ, injunctive or mandamus jurisdiction.

The Tucker Act does not generally confer jurisdiction for actions seeking

declaratory or injunctive relief. *See Richardson v. Morris*, 409 U.S. 464, 456 (1973). Although, as the government identifies, there are a limited number of statutory exceptions to that rule, none are applicable here. [Alvarado Hospital, LLC v. Cochran, 2016-1356 (Fed. Cir. 8/22/2017).]

...Similarly, the Court of Federal Claims does not have jurisdiction to issue a writ of mandamus pursuant to 28 U.S.C. § 1361. *See Hornback v. United States*, 405 F.3d 999, 1002 (Fed. Cir. 2005) (“28 U.S.C. § 1361 vests ‘original jurisdiction’ for the issuance of mandamus orders in the district courts.”). Accordingly, we conclude that the Court of Federal Claims does not have jurisdiction over Prime Hospitals’ remaining claims and we reverse the district court’s order transferring Prime Hospitals’ claims for declaratory, injunctive, and mandamus relief. *Cf. United States v. Cty. of Cook, Ill.*, 170 F.3d 1084, 1089 (Fed. Cir. 1999) (“Section 1631 allows for the transfer of less than all of the claims in a civil action to the Court of Federal Claims.”). [Alvarado Hospital, LLC v. Cochran, 2016-1356 (Fed. Cir. 8/22/2017).]

Georgetown Rail Equipment Company v. Holland L.P., 2016-2297 (Fed. Cir. 8/1/2017).

This is a decision on appeal from the E.D. Tex. district court case 6:13-cv-00366-RWS. The district court found that Holland infringed and awarded lost profits, enhanced damages due to willful infringement. Holland appealed the infringement finding based upon an alleged improper claim construction, willfulness conclusion, and enhanced damages award. The Federal Circuit affirmed.

Legal issue: 35 USC 271(a), infringement of a distributed system claim on information technology, having a data entry front end and an analysis back end.

Claim 1 recites "A system for inspecting a railroad track bed ... comprising:...[a] generator; ... [a] receiver;... [a] processor for analyzing..."

[A] jury ... found that Holland infringed...Holland appeals... [w]e affirm. *** Holland’s use of Rail Vision Systems’s technology is analogous to the system found “used” for purposes of the infringement analysis in *Centillion*. As in *Centillion*, Holland collects and gathers data by its system platform on the front-end. J.A. 1137-39. Then, Holland sends the gathered information to a back-end third-party company with instructions to process and analyze the information. J.A. 1106, 1139-40. The fact that the transmission from the front-end to the back-end in this case involves “physically remov[ing] the hard drives with data . . . and ship[ping] them overseas to Rail Vision [Europe Ltd.]” is of no consequence. Appellant’s Br. 38 (citing J.A. 1103-04). The intermediary steps are still “put into service” as a result of Holland’s front-end collection and request for processing, demonstrating Holland’s ultimate control of, and derivation of benefit from, the system. *See Centillion*, 631 F.3d at 1285. *** Here, Holland acts like the customers in *Centillion*--its trucks gather and collect the data, and it makes the choice to send collected information to the third-party, Rail Vision Europe Ltd.,

[which is located in the United Kingdom] for processing. [Georgetown Rail Equipment Company v. Holland L.P., 2016-2297 (Fed. Cir. 8/1/2017).]

Visual Memory LLC v. Nvidia Corporation, 2016-2254 (Fed. Cir. 8/15/2017).

This is a decision on appeal from the D. Del. district court case 1:15-cv-00789-RGA. Visual appealed from district court's dismissal pursuant to a 12(b)(6) motion on the conclusion that the claims were patent ineligible under 35 US 101. A majority of the Federal Circuit panel consisting of of judges Still and O'Malley, reversed and remanded. Judge Hughes dissented.

Legal issue: 35 USC 101, subject matter eligibility.

The majority concluded that the disclosed and claimed computer memory system including "programmable operational characteristics, said characteristics being defined through configuration by said computer based on the type of said processor" was an improvement in computer technology and not abstract.

Our analysis begins with *Alice* step one. *** In this regard, we must articulate with specificity what the claims are directed to, *Thales Visionix Inc. v. United States*, 850 F.3d 1343, 1347 (Fed. Cir. 2017), and “ask whether the claims are directed to an improvement to computer functionality versus being directed to an abstract idea.” *Enfish*, 822 F.3d at 1335 (“[S]ome improvements in computer-related technology when appropriately claimed are undoubtedly not abstract, such as a chip architecture, an LED display, and the like.”). *** Our review of the ’740 patent claims demonstrates that they are directed to an improved computer memory system, not to the abstract idea of categorical data storage. Claim 1 requires a memory system “having one or more programmable operational characteristics, said characteristics being defined through configuration by said computer based on the type of said processor,” and “determin[ing] a type of data stored by said cache.” *** The specification explains that multiple benefits flow from the ’740 patent’s improved memory system. As an initial matter, the specification discloses that a memory system with programmable operational characteristics defined by the processor connected to the memory system permits “different types of processors to be installed with the subject memory system without significantly compromising their individual performance.” *** Finally, in addition to enabling interoperability with multiple different processors, the ’740 patent specification explains that the selective definition of the functions of the cache memory based on processor type results in a memory system that can outperform a prior art memory system that is armed with “a cache many times larger than the cumulative size of the subject caches.” *** Configuring the memory system based on the type of processor connected to the memory system is the improvement in computer technology to which the claims are directed. *Alice* requires no more from the claims or the specification to support our conclusion that the claims are not directed to an abstract idea. [Visual Memory LLC v. Nvidia Corporation, 2016-2254 (Fed. Cir. 8/15/2017).]

Amgen Inc. v. Hospira, Inc., 2016-2179 (Fed. Cir. 8/10/2017).

This was a decision on appeal from the Delaware district court case 1:15-cv-00839-RGA. The district court denied Amgen's motion to compel discovery. The Federal Circuit dismissed the appeal and denied writ of mandamus.

Legal issue: Federal Circuit jurisdiction, collateral order doctrine, inapplicability to discovery orders relating to the BCPIA requirement to disclose "other information that describes the process or processes used to manufacture the biological product that is the subject of such application," pursuant to 42 USC 262(l)(2)(A).

The Federal Circuit concluded that it lacked jurisdiction to review the order denying discovery because there was no "clear-cut statutory purpose that would be undermined by denying immediate appeal."

... The issue is whether the district court's order is "effectively unreviewable" on appeal from a final judgment. *Livesay*, 437 U.S. at 468. As noted in *Livesay*, "rulings on discovery" generally do not qualify for the collateral order doctrine's exception to the final judgment rule. *** Here, Amgen asserts that forcing it to wait until final judgment for review will defeat what it asserts to be the purpose of paragraph (l)(2)(A)'s disclosure requirements—to enable the sponsor (here Amgen) to commence infringement litigation immediately, prior to FDA approval and commercial marketing of the biological product by the applicant. Amgen analogizes its situation to cases holding orders immediately appealable when those orders unseal confidential documents or deny claims of immunity. [Footnote 4 omitted.] Unlike those cases, however, there is no clear-cut statutory purpose that would be undermined by denying immediate appeal. In such circumstances, Congress's decision not to provide for interlocutory review simply means that immediate appeal is not available. *See Kircher v. Putnam Funds Tr.*, 547 U.S. 633, 641 n.8 (2006) (holding that the bar on appellate review of district court orders remanding cases to state courts, 28 U.S.C. § 1447(d), applies to cases arising under the Securities Litigation Uniform Standards Act of 1998 in the absence of an "expressly" provided "clear statutory command" to the contrary). In sum, the lack of immediate appeal over orders denying discovery of paragraph (l)(2)(A) information does not render such orders "effectively unreviewable" or distinguish them from run-of-the-mill discovery disputes. *Livesay*, 437 U.S. at 468. We therefore lack jurisdiction over Amgen's appeal under the collateral order doctrine. [*Amgen Inc. v. Hospira, Inc.*, 2016-2179, footnote 1 (Fed. Cir. 8/10/2017).]

Definition - "biosimilar" product

A "biosimilar" product is a "biological product [that] is highly similar to a reference product notwithstanding minor differences in clinically inactive components" and for which "there are no clinically meaningful differences between the biological product and the reference product in terms of . . . safety, purity, and potency." 42 U.S.C. § 262(i)(2)(A)–(B). [*Amgen Inc. v. Hospira, Inc.*, 2016-2179, footnote 1 (Fed. Cir. 8/10/2017).]

AIA America, Inc. v. Trustees of the University of Pennsylvania, 2016-2647 (Fed. Cir. 8/10/2017).

This is a decision on appeal from the E.D. Pa case 2:10-cv-06908-TJS. AIA appealed the district court's award of attorney's fees.

Legal issue: Seventh amendment, right to a jury trial, attorney fee awards.

AIA argued that the seventh amendment right extended to attorney fee awards under 35 USC 285 when the factual determination underlying the award required determination of a party's state of mind. The Federal Circuit disagreed.

We first address AIA's argument that the Seventh Amendment requires a jury trial to decide the facts forming the basis to award attorney's fees under § 285 of the Patent Act. Specifically, AIA argues that when an award of attorney's fees is based in part or in whole on a party's state of mind, intent, or culpability, only a jury may decide those issues. *** Both steps of the *Tull* test reflect that requests for attorney's fees under § 285 are equitable and do not invoke the Seventh Amendment right to a jury trial. *See Swofford v. B & W, Inc.*, 336 F.2d 406, 413–14 (5th Cir. 1964) (holding there is no right to a jury trial for attorney's fees under § 285). Despite the foregoing, AIA argues that if a decision on attorney's fees involves considerations of a party's state of mind, intent, and culpability, then those questions must be presented to a jury under the Seventh Amendment. AIA, however, has pointed to no cases finding that once an issue is deemed equitable, a Seventh Amendment right to a jury trial may still attach to certain underlying determinations. Nor does AIA's argument fit within the Supreme Court's framework of when the right to a jury trial attaches to a claim. In 18th-century England, if a claim was in the court of equity, the equity court had the discretion to submit a claim to a jury but was never required to submit any issue to a jury, regardless of whether it was deciding issues of state of mind, intent, and culpability. *Garsed v. Beall*, 92 U.S. 685, 695 (1875). Finally, AIA's position is at odds with other statutory prevailing party provisions. *See, e.g., Great Am. Fed. Sav. & Loan Ass'n v. Novotny*, 442 U.S. 366, 375 (1979) (“[Title VII] expressly allows the prevailing party to recover his attorney's fees Because the Act expressly authorizes only equitable remedies, the courts have consistently held that neither party has a right to a jury trial.”). In sum, AIA's right to a jury trial under the Seventh Amendment was not violated. [AIA America, Inc. v. Trustees of the University of Pennsylvania, 2016-2647 (Fed. Cir. 8/10/2017).]

Romag Fasteners, Inc. v. Fossil, Inc., 2016-1115, 2016-1116, 2016-1842 (Fed. Cir. 8/9/2017).

This is a decision on appeal from the D.Ct. district court cases 3:10-cv-01827-JBA and 3:11-cv-00929-CFD. The district court had granted attorney's fees under 35 USC 285 and CUTPA ("Connecticut Unfair Trade Practices Act"), but denied attorneys fees under the Lanham Act. A majority consisting of Judges Dyk and Hughes vacated and remanded. Judge Newman concurred in part and dissented in part.

Legal issue: 15 USC1117(a), attorneys fees recovery.

15 USC 1117(a) reads in pertinent part:

15 USC 1117 - Recovery for violation of rights (a) ... The court in exceptional cases may award reasonable attorney fees to the prevailing party.

The majority summed up its conclusion in the introduction of the opinion, which is that *Octane* applies to Lanham Act claims:

We first address Romag’s contention that the district court erred in not awarding attorney’s fees under the Lanham Act, and that the *Octane* standard applies to both the award of fees under the Patent Act and under the Lanham Act. The district court here concluded that although this “case is ‘exceptional’ under the more lenient Patent Act standard announced in *Octane Fitness*, it d[id] not find that Defendant acted fraudulently or in bad faith [under the Louis Vuitton standard] . . . with respect to trademark infringement . . . to recover its reasonable attorney’s fees under” the Lanham Act. J.A. 9. We conclude that the district court erred and that the *Octane* standard applies to the Lanham Act. *** Here, however, there is intervening relevant Supreme Court authority which, we think, would lead the Second Circuit to follow other circuits which have held that the *Octane* standard applies to the Lanham Act. See *Badalamenti v. Dunham’s, Inc.*, 896 F.2d 1359, 1362 (Fed. Cir. 1990) (“[I]f the regional circuit court has not spoken, we must predict how that court would decide the issue . . .”). Since *Octane* was decided, the Third, Fourth, Fifth, Sixth, and Ninth Circuits have all held that the *Octane* “Court was sending a clear message that it was defining ‘exceptional’ not just for the fee provision in the Patent Act, but for the fee provision in the Lanham Act as well.” *Fair Wind Sailing, Inc. v. Dempster*, 764 F.3d 303, 315 (3d Cir. 2014); see also *SunEarth, Inc. v. Sun Earth Solar Power Co.*, 839 F.3d 1179, 1181 (9th Cir. 2016); *Baker v. DeShong*, 821 F.3d 620, 623–24 (5th Cir. 2016); *Slep-Tone Entm’t Corp. v. Karaoke Kandy Store, Inc.*, 782 F.3d 313, 318 (6th Cir. 2015); *Georgia-Pacific Consumer Prods. LP v. von Drehle Corp.*, 781 F.3d 710, 721 (4th Cir. 2015). Indeed, no circuit has specifically considered *Octane* and then declined to apply it to the Lanham Act. [*Romag Fasteners, Inc. v. Fossil, Inc.*, 2016-1115, 2016-1116, 2016-1842 (Fed. Cir. 8/9/2017).]

Legal issue: 35 USC 285, exceptionality, totality of circumstances factors.

The majority concluded that the conduct of the prevailing party seeking attorneys fees must be considered.

In determining whether a case is exceptional for 35 U.S.C. § 285 fees, a district court must “consider[] the totality of the circumstances.” *Octane*, 134 S. Ct. at 1756. This includes the conduct of the prevailing party that is seeking attorney’s fees. In *Gaymar Industries v. Cincinnati Sub-Zero Products, Inc.*, 790 F.3d 1369 (Fed. Cir. 2015), we clarified that “the conduct of the parties is a relevant factor under *Octane*’s totality-of-the circumstances inquiry, including the

conduct of the movant.” *Id.* at 1373. For this proposition, *Gaymar* cited *Power Mosfet Technologies, LLC v. Siemens AG*, 378 F.3d 1396 (Fed. Cir. 2004), which affirmed a district court’s denial of § 285 fees “because all of the parties had conducted themselves without the decorum required when practicing before a federal court . . . and credited each of the parties with some share of the bad behavior.” *Id.* at 1415 (emphasis in original). The district court therefore erred in declining to consider, in connection with its totality of circumstances analysis, Romag’s earlier litigation misconduct. Romag’s misconduct cannot be disregarded on the theory that failure to award fees is equivalent to double-sanctioning Romag. Indeed, the fact that this misconduct has already been sanctioned should be weighed more heavily, rather than be excluded, in the 35 U.S.C. § 285 analysis. [*Romag Fasteners, Inc. v. Fossil, Inc.*, 2016-1115, 2016-1116, 2016-1842 (Fed. Cir. 8/9/2017).]

[Personal Audio, LLC v. Electronic Frontier Foundation, 2016-1123 \(Fed. Cir. 8/7/2017\).](#)

This is a decision, on appeal by Personal Audio, in PTAB case IPR2014-00070. The Federal Circuit affirmed.

Legal issue: Article III standing of appellee, Electronic Frontier Foundation, EFF, to participate in the appeal.

Citing *ASARCO Inc. v. Kadish*, 490 U.S. 605 (1989) and Justice Marshall's concurrence in *U.S. Department of Labor v. Triplett*, 494 U.S. 715, 732 (1990), the Federal Circuit concluded that, if the appellant had Article III standing, then the appellee was not barred from participating:

Here, the party invoking judicial review is Personal Audio; it is apparent that Personal Audio, on cancellation of its patent claims by the PTAB, has experienced an alteration of “tangible legal rights . . . that is sufficiently ‘distinct and palpable’ to confer standing under Article III.” *Virginia v. Hicks*, 539 U.S. 113, 121 (2003) (internal citations omitted). With Article III satisfied as to the appellant, EFF is not constitutionally excluded from appearing in court to defend the PTAB decision in its favor. [*Personal Audio, LLC v. Electronic Frontier Foundation*, 2016-1123 (Fed. Cir. 8/7/2017).]

[Homeland Housewares, LLC v. Whirlpool Corporation, 2016-1511 \(Fed. Cir. 8/4/2017\).](#)

This is a decision on appeal by Homeland from the PTAB final decision in case IPR2014-00877. The PTAB held the claims not anticipated. A majority consisting of Judges Prost and Dyk, reversed. Judge Newmann dissented.

Legal issue: 35 USC 112(b), claim construction, PTAB failure to construe dispositive term.

This case presents a situation where the Board failed to construe a disputed term, and that term was dispositive as to anticipation by prior art. The Federal Circuit majority concluded that the Board's failure to construe under these circumstances was error.

Anticipation is a two-step analysis. The first step is properly interpreting the claims. Beachcombers v. WildeWood Creative Prods., Inc., 31 F.3d 1154, 1160 (Fed. Cir. 1994). The second step is determining whether the limitations of the claims, as properly interpreted, are met by the prior art. *Id.* The Board determined that Wulf did not anticipate the '688 patent because its disclosures did not meet the "settling speed" limitation. J.A. 14. However, the Board did "not adopt any explicit construction of the term for [its] Final Written Decision," J.A. 7, even though the parties disagreed as to claim construction. [Footnote 2 omitted.] Just as district courts must, "[w]hen the parties raise an actual dispute regarding the proper scope of . . . claims, . . . resolve that dispute," *O2 Micro Int'l Ltd. v. Beyond Innovation Tech. Co.*, 521 F.3d 1351, 1360 (Fed. Cir. 2008), the Board also must resolve such disputes in the context of IPRs. *See CSR, PLC v. Skullcandy, Inc.*, 594 F. App'x 672, 678 (Fed. Cir. 2014) (holding that "[t]he Board erred by failing to construe 'threshold value' as it is used in claims 1–6 before finding that [prior art reference] Smith failed to disclose a 'threshold value'" in anticipation). Given that the Board did not rely on extrinsic evidence here as to claim construction, we can determine the correct construction of "settling speed" and then determine whether the Board correctly held that Wulf does not meet the limitations of claim 1. *Teva*, 135 S. Ct. at 841. [Homeland Housewares, LLC v. Whirlpool Corporation, 2016-1511 (Fed. Cir. 8/4/2017).]

Judge Newmann's dissent did not relate to the conclusion that the Board had a duty to construe disputed and dispositive claim terms.

Honeywell International Inc. v. Mexichem Amanco Holding S.A. DE C.V., 2016-1996 (Fed. Cir. 8/1/2017).

This was a decision on appeals from PTAB cases 95/002,189 and 95/002,204. A majority of the Federal Circuit panel, consisting of Judges Lourie and Reyna, vacated and remanded. Judge Wallach dissented in part.

Legal issue: obviousness, motivation to combine, inherency of a property.

The Federal Circuit concluded that the Board erred by discounting inherency of a property with "unpredictability and unexpectedness."

...The Board committed legal error by improperly relying on inherency to find obviousness and in its analysis of motivation to combine the references. *** What is important regarding properties that may be inherent, but unknown, is whether they are unexpected. All properties of a composition are inherent in that composition, but unexpected properties may cause what may appear to be an obvious composition to be nonobvious. *** Thus, the Board here, in dismissing properties of the claimed invention as merely inherent, without further consideration as to unpredictability and unexpectedness, erred as a matter of law. [Honeywell International Inc. v. Mexichem Amanco Holding S.A. DE C.V., 2016-1996 (Fed. Cir. 8/1/2017).]

The Federal Circuit also concluded that the Board erred by concluding that "unpredictability" resulted in obviousness.

Second, the Board erred in dismissing Honeywell's evidence of unpredictability in the art when it stated that one of ordinary skill would no more have expected failure than success in combining the references. *** Thus, the Board seems to have determined that, because stability in the art was entirely unpredictable, one of ordinary skill would have made no predictions at all, but rather would have expected to undertake efforts to find an optimal combination and thus that "routine testing" would have led the skilled artisan to the claimed combination. *** That is reverse reasoning. Unpredictability of results equates more with nonobviousness rather than obviousness, whereas that which is predictable is more likely to be obvious. Thus, reasoning that one would no more have expected failure than success is not a valid ground for holding an invention to have been obvious. The Board erred in so holding. [Honeywell International Inc. v. Mexichem Amanco Holding S.A. DE C.V., 2016-1996 (Fed. Cir. 8/1/2017).]

On this second Board error, the Federal Circuit majority also noted that the patent owner is not required to show an expectation of failure and that the legal test for obviousness does not necessarily turn on whether routine experimentation will lead to the invention.

Even when presenting evidence of unexpected results to "rebut" an Examiner's prima facie case for obviousness, a patent owner need not demonstrate that one of ordinary skill would have expected failure—rather, the patent owner need only establish that the results would have been unexpected to one of ordinary skill at the time of invention, or "much greater than would have been predicted." *Leo Pharm. Prod., Ltd. v. Rea*, 726 F.3d 1346, 1358 (Fed. Cir. 2013) ("Unexpected results are useful to show the improved properties provided by the claimed compositions are much greater than would have been predicted." (internal quotation marks omitted)); *In re Baxter Travenol Labs.*, 952 F.2d 388, 392 (Fed. Cir. 1991) ("[W]hen unexpected results are used as evidence of nonobviousness, the results must be shown to be unexpected compared with the closest prior art."); *In re De Blauwe*, 736 F.2d 699, 706 n.8 (Fed. Cir. 1984) ("A proper showing of unexpected results will rebut a prima facie case of obviousness."). [Honeywell International Inc. v. Mexichem Amanco Holding S.A. DE C.V., 2016-1996 (Fed. Cir. 8/1/2017).]

A further point regarding so-called "routine testing" is that § 103 provides that "[p]atentability shall not be negated by the manner in which the invention was made." 35 U.S.C. § 103 (2012). That provision was enacted to ensure that routine experimentation does not necessarily preclude patentability. *See, e.g., In re Saether*, 492 F.2d 849, 854 (C.C.P.A. 1974) ("In his argument that 'mere

routine experimentation' was involved in determining the optimized set of characteristics, the solicitor overlooks the last sentence of 35 U.S.C. § 103. . . Here we are concerned with the question of whether the claimed invention would have been obvious at the time it was made to a person having ordinary skill in the art—not how it was achieved.” (internal citation omitted)); *In re Fay*, 347 F.2d 597, 602 (C.C.P.A. 1965) (“[W]e do not agree that ‘routine experimentation’ negatives patentability. The last sentence of section 103 states that ‘patentability shall not be negated by the manner in which the invention was made.’”).
[Honeywell International Inc. v. Mexichem Amanco Holding S.A. DE C.V., 2016-1996 (Fed. Cir. 8/1/2017).]

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