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PATENTS

What Should APJs Do if a Petitioner Has Failed to Make What Seems to Them to Be a Good Argument?



BY CHARLES L. GHOLZ AND ALEXANDER B.
ENGLEHART

Many administrative patent judges (as well as, of course, many Article III judges) have a strong sense that they sit to ensure that justice is done, as well as “to call balls and strikes.” That sense occasionally leads them to become “activists”—that is, to participate in cases before them by doing more than assessing the correctness and persuasive value of the arguments that the parties make. Laudatory as that sense may seem in the abstract, it can cause problems in specific applications.

Such a situation occurred in *McClinton Energy Group, LLC v. Magnum Oil Tools Int'l., Ltd.*, IPR2013-00231 (P.T.A.B. Sept. 2, 2014) (opinion by APJ Zecher

Charles L. Gholz is Senior Counsel in Oblon, McClelland, Maier & Neustadt, LLP in Alexandria, Va. He can be reached at 703-412-6485 or cgholz@oblon.com.

Alexander B. Englehart is Senior Attorney at the firm. He can be reached at 703-412-6225 or aenglehart@oblon.com.

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for a panel that also consisted of APJs Medley and Petravick). After the panel had issued a final written decision holding all of Magnum's challenged claims obvious under 35 U.S.C. § 103, the parties settled, the patentee (Magnum) appealed, the petitioner (McClinton) did not defend the appeal, and the Director of the Patent and Trademark Office intervened to defend the panel's decision. While the Federal Circuit's opinion in *In Re Magnum Oil Tools Int., Ltd.*, No. 2015-1300, 2016 BL 237346, 119 U.S.P.Q.2d 1541 (Fed. Cir. 2016) (opinion by Judge O'Malley for a panel that also consisted of Judges Newman and Chen), reversing the rejection of all of Magnum's claims, finds fault with numerous aspects of the panel's opinion, the problem with the panel's analysis insofar as this article is concerned is that the panel relied on an argument not advanced by the petitioner but, instead, dreamed up by the panel.

Judge O'Malley's opinion dealt with that situation as follows:

Finally, we address the PTO's assertion that the Board did not err in making an obviousness argument on behalf of McClinton based on the primary reference *Lehr* because this argument “could have been included in a properly-drafted petition.” Intervenor Br. at 34 (citing [*In re*] *Cuozzo*, 793 F.3d at 1275). It is the petitioner that bears the burden of proof in IPRs, however, *See* 35 U.S.C. § 316(e) (“In an inter partes review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.”) (emphasis added [by the court]). It is true that the entire IPR process is one designed as an “efficient system for challenging patents that should not have issued.” *Cuozzo Speed Techs.*, 2016 U.S. LEXIS 3927, at *29 (quoting H.R. Rep. No. 112-98, pt. 1, at 39-40 (2011)). But it is still a system that is predicated on a petition followed by a trial in which the petitioner bears the burden of proof. Given that framework, we find no support for the PTO's position that the Board is free to adopt arguments on behalf of petitioners that could have been, but were not, raised by the petitioner during an IPR. Instead, the Board must base its decision on arguments that were advanced by a party, and to which the opposing party was given a chance to respond. *SAS Inst., Inc. v. ComplementSoft, LLC*, No. 2015-1347, 2016 U.S. App. LEXIS 1-508 at *20-21 (Fed. Cir. June 10, 2016) (“An

agency may not change theories in midstream without giving respondents reasonable notice of the change and the opportunity to present argument under the new theory.”) (interpreting 5 U.S.C. § 554(b)(3)) (quoting *Belden Inc. v. Berk-Tek LLC*, 805 F.3d 1064, 1080 (Fed. Cir. 2015) (internal quotations omitted [by the court])). Here, “[i]t was [petitioner’s] burden to demonstrate both ‘that a skilled artisan would have been motivated to combine the teachings of the prior art references to achieve the claimed invention, and that the skilled artisan would have had a reasonable expectation of success in doing so.’” *Intelligent Bio-Sys., Inc. v. Illumina Cambridge, Ltd.*, 821 F.3d 1359, 1367-68 (Fed. Cir. 2016) (citing, *inter alia*, *Kinetic Concepts, Inc. v. Smith & Nephew, Inc.*, 688 F.3d 1342, 1360 (Fed. Cir. 2012))). Thus, while the PTO has broad authority to establish procedures for revisiting earlier-granted patents in IPRs, that authority is not so broad that it allows the PTO to raise, address, and decide unpatentability theories never presented by the petitioner and not supported by record evidence. [119 U.S.P.Q.2d at 1552-53.]

So, What Should the Panel Have Done?

We certainly do not wish to suggest that the panel should have ignored its suspicion that Magnum’s claims were unpatentable based on the primary reference Lehr using the argument that APJ Zecher put into the panel’s opinion. We think that what the panel should have done was to request additional briefing from the parties concerning the issue of whether Magnum’s claims were unpatentable based on this argument. That is essentially what the International Trade Commission did in the cases discussed below, and, so far as we can see, that procedure worked fine for that Article I adjudicatory body. We respectfully submit that it would also work fine for the PTAB.

In *Certain Consumer Electronics with Display and Processing Capabilities*, Inv. No. 337-TA-884, Commission Notice at 4-6 (Int’l Trade Comm’n Oct. 30, 2014), the ITC decided to review certain of the ALJ’s claim construction, infringement, validity and domestic industry findings. In connection with that review, the commission asked the parties to answer a number of specific questions, including:

- Please discuss whether the claimed “scan converter” is capable of operating on an entirely floating point basis while receiving and outputting data that is not in floating point format. Please address how this affects the proper construction of the claim limitations “scan converter” and “scan convert data” and whether claim 1 of the ’158 patent is invalid under 35 U.S.C. § 112 for failure to satisfy the written description requirement.

- Please discuss whether the Martin publication by itself is enabling prior art. In addition, please address whether GPH’s reliance on the reference “High Speed High Quality Antialiased Vector Generation” by A. Barkans to discredit the Martin publication is legally permissible in the context of assessing whether the Martin publication is enabled.

- Please discuss whether Einkauf, alone or in combination with other prior art, renders obvious the asserted claims of the ’327 and ’158 patents with respect to the claim limitations “frame buffer,” “s10e5 format,” “scan converter,” and “scan convert data.”

Similarly, in *Certain Crawler Cranes and Components Thereof*, Inv. No. 337-TA-887, Commission Notice

at 2-4 (Int’l Trade Comm’n Sept. 19, 2014), the ITC requested that the parties answer 17 specific questions relating to various issues in the investigation that the commission had decided to review.

Some of the questions in the two investigations may in some sense have been inspired by arguments raised by the parties in their petitions for review of the ITC administrative law judge’s initial determination, but it was the commission that drafted the questions based on its own analysis of the records.

The parties dutifully responded to the commission’s questions and then filed additional papers responding to each other’s responses to the questions.

Thereafter, the commission considered all of these submissions in arriving at its final determination in one of the two investigations. (The other one settled before the commission entered its final decision.)

In our view, a similar procedure could work in IPRs and other PTAB proceedings. If the PTAB believes that an important argument has not been addressed, the PTAB could request that the petitioner and patent owner respond in writing to the PTAB’s questions relating to that argument, and then respond to each other’s responses. The PTAB could then consider this additional briefing in arriving at its final decision.

The important point is that the parties not be blindsided by the APJs’ use of arguments that they did not have a chance to address. The Federal Circuit’s concern for this aspect of procedural fairness is shown, for example, in its recent opinions in *TecSec, Inc. v. Adobe Sys. Inc.*, No. 2015-1686, 2016 BL 267592, at *15-16 (Fed. Cir. Aug. 18, 2016) (criticizing district court for failing to give patentee an opportunity to respond to a new noninfringement argument, and giving district court’s analysis of that argument no weight); *SAS Inst., Inc. v. ComplementSoft, LLC*, 825 F.3d 1341, 1348-49, 119 U.S.P.Q.2d 1031, 1038 (Fed. Cir. 2016) (criticizing PTAB for relying on previously unrepresented claim construction in final written decision, to which the parties had not had an opportunity to respond); and *Dell Inc. v. Acceleron, LLC*, 818 F.3d 1293, 1300-01, 118 U.S.P.Q.2d 1353, 1359-60 (Fed. Cir. 2016) (holding that the PTAB had denied the patent owner a fair opportunity to respond to an argument first raised by the petitioner at oral argument, and remanding for further proceedings).

The Likely Effect if the Board Were to Adopt This Practice

Of course, given the APJs’ practice of deciding IPRs at the last possible moment before expiration of the one-year period set by 35 U.S.C. § 316 and 37 C.F.R. § 42.100, if they were to adopt this practice it would inevitably result in the necessity of those IPRs in which they employed this practice going into overtime. To date, the APJs have made herculean efforts to avoid going into overtime, and no doubt they would find doing so very distasteful. However, we respectfully submit (1) that the Federal Circuit would likely find their doing so in this situation well within their discretion and (2) that doing so would be a socially beneficial exercise of their discretion.

We note that a related issue is currently being considered by the en banc Federal Circuit in *In re Aqua Prods., Inc.*, No. 2015-1177 (Fed. Cir., *en banc reh’g granted* Aug. 12, 2016) (92 PTCJ 1173, 8/19/16). This is an ap-

peal from an IPR, and one of the issues on review is: “When the petitioner does not challenge the patentability of a proposed amended claim, or the Board thinks the challenge is inadequate, may the Board sua sponte raise patentability challenges to such a claim? If so, where would the burden of persuasion, or a burden of production, lie?” The en banc court’s analysis of this issue will almost certainly have an impact on the PTAB’s willingness to consider raising patentability challenges sua sponte in a broader context, as we suggest in this article.

Ultimately, there is a social utility in striking down patents that never should have issued—that’s what the IPR procedure is all about! Accordingly, we respectfully submit that the PTAB should consider putting in place a procedure along the lines of what we suggest in this article. While a determination of unpatentability based on an argument raised sua sponte by the board may be distasteful to a patent owner, we believe that the patent system would be best served by allowing this, as long as the parties are given a full and fair opportunity to brief the argument prior to the board’s final decision.