

PTAB Strategies and Insights

July 2018



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The *PTAB Strategies and Insights* newsletter provides timely updates and insights into how best to handle proceedings at the USPTO. It is designed to increase return on investment for all stakeholders looking at the entire patent life cycle in a global portfolio.

This month, we cover five topics in depth:

- Are PTAB APJs constitutional? If not, what happens?
- The most effective ways to work with experts.
- Five newly minted informative decisions of the Board.

- Is RPX an RPI? The Federal Circuit remands asking the Board to make a more detailed review of whether RPX is barred under 315(b).
- When is alleged deposition abuse sanctionable?

We welcome feedback and suggestions about this newsletter to ensure we are meeting the needs and expectations of our readers. If you have topics you wish to see explored within an issue of the newsletter, please reach out to me.

To view our past issues, as well as other firm newsletters, please [click here](#).

Thank you.

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Best regards,
Jason

Editor & Author:



Jason D. Eisenberg
Director
jason@sternekessler.com

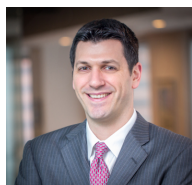
Authors:



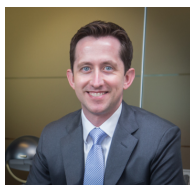
Rebecca Lindhorst
Summer Associate
rlindhorst@sternekessler.com



Ian Soule
Associate
isoule@sternekessler.com



Jason A. Fitzsimmons
Associate
jfitzsimmons@sternekessler.com



Richard D. Collier III
Director
rcoller@sternekessler.com

DO YOU WANT AN INFERIOR JUDGE?: WHY PTAB JUDGES MAY BE UNCONSTITUTIONAL AND WHAT HAPPENS IF THEY ARE

By: Rebecca Lindhorst and [Jason D. Eisenberg](#)

Is the appointment of PTAB administrative patent judges (APJs) constitutional? The patent bar is asking in the wake of the Supreme Court's decision in *Lucia v. SEC*.^[i]

In *Lucia*, the Supreme Court held that SEC administrative law judges ("ALJs") are inferior officers of the United States and not mere employees. Based on this status, the Court held that the process of appointing SEC ALJs was unconstitutional because the appointments were not done by a method approved in the Appointments Clause.

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WORKING WITH YOUR SELECTED EXPERT: OUR AGLETS CASE REVISTED

By: [Ian Soule](#) and [Jason D. Eisenberg](#)

You [selected your experts](#) – Ms. Boot (an expert for the patent owner, SneakRTech) and Dr. Slipper, PhD (an expert for the Petitioner, BadGuys) - to assist SneakRTech at the PTAB in cases involving aglet patents against BadGuys. BadGuys’s patent is related to the material science of plastic aglets, and how nanocoatings provide a color-change depending on the temperature for use in a snowboarding boot. SneakRTech’s patent related to an advancement in the geometry and manufacturing process to ensure that they easily insert into the eyelets of the shoe to be used in a desert rock climbing shoe.

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IS RPX AN RPI? THE FEDERAL CIRCUIT REMANDS FOR THE PTAB TO DECIDE

By: [Jason D. Eisenberg](#)

In a 56 page [decision](#), including a concurrence, the Federal Circuit vacated and remanded based on finding that the Board failed to apply the law correctly by failing to properly consider evidence alleged to show that an RPX client was either a real party in interest or privy of Petitioner RPX. If the RPX client was barred under Section 315(b), RPX may similarly be barred. On remand, the Board is requested to review the factors laid out by the Court and determine whether RPX falls under its client’s potential Section 315(b) bar.

THE BOARD OPINES ON WHERE THE LINE IS ON SANCTIONABLE BEHAVIOR DURING DEPOSITION

By: [Jason A. Fitzsimmons](#) and [Richard D. Coller III](#)

Following up on our [article on depositions](#) the Board recently denied a [motion for sanctions](#) by the Patent Owner, which alleged that the Petitioner’s questioning during deposition exceeded the scope of the witness’s declaration. The Board found that “Petitioner’s attempts to elicit testimony regarding [new evidence], while inartful, did not rise to the level of sanctionable conduct because they were reasonably related to [the declarant’s] direct testimony,” and the Patent Owner ultimately “suffered no harm.” ([Paper 66, p. 33.](#))

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Is the appointment of PTAB administrative patent judges (APJs) constitutional? The patent bar is asking in the wake of the Supreme Court's decision in *Lucia v. SEC*.^[i]

In *Lucia*, the Supreme Court held that SEC administrative law judges ("ALJs") are inferior officers of the United States and not mere employees. Based on this status, the Court held that the process of appointing SEC ALJs was unconstitutional because the appointments were not done by a method approved in the Appointments Clause. The Appointments Clause requires inferior officers to be appointed by one of four methods: (1) by the President with advice and consent of the Senate; (2) by the President alone; (3) by the "courts of law"; or (4) by the "heads of departments." In the wake of the *Lucia* decision, commentators have questioned if this holding will extend to invalidate all existing ALJ appointments across all agencies.

But this is not a new issue for APJs. Decades ago a constitutional challenge was made to a 1999 statute that vested the power to appoint BPAI APJs in the PTO Director. The BPAI was the predecessor court to the PTAB. At that time Professor John Duffy argued that these appointments were unconstitutional unless BPAI judges were not officers or the Director was a "head of department."^[ii] Similar to PTAB judges, BPAI judges had the ability to run trials, take evidence, rule on admissibility, and reach a final administrative decision. The argument was that these abilities demonstrated that BPAI judges were exercising significant authority under the law and were at least inferior officers for purposes of the Appointments Clause. Additionally, the PTO Director ran a sub-unit of the Department of Commerce, answered to the Secretary of Commerce, and was, consequently, not a "head of department." Therefore, Duffy argued that appointments of BPAI judges by the PTO Director violated the Appointments Clause.

Congress implicitly validated Duffy's argument by swiftly introducing legislation to amend the appointment process for BPAI judges. In 2008, corrective legislation was passed that removed the power of the PTO Director to appoint BPAI judges and restored it to a "head of department," the Secretary of Commerce. This legislation also provided two solutions to address cases decided by unconstitutionally appointed BPAI judges. The first solution authorized the Secretary of Commerce to make the new appointments of existing BPAI APJs take effect retroactively. The second solution provided that the "de facto officer" doctrine shall be a defense to a challenge of the appointment of an APJ.

While the PTAB has replaced the BPAI in the America Invents Act (AIA), the process of appointing PTAB APJs remains unchanged. And "[a]ny reference in any Federal law, Executive order, rule, regulation, or delegation of authority, or any document pertaining to the Board of Patent Appeals and Interferences is deemed to refer to the Patent Trial and Appeal Board."^[iii] So if PTAB judges are inferior officers, unlike the SEC ALJs in *Lucia*, the PTAB APJ appointments should be considered constitutional.

The argument is that, in light of the 2008 legislation and the *Lucia* decision, it appears that PTAB APJs are at least inferior officers. Yet whether PTAB APJs are inferior or principal officers remains uncertain and there is no bright line rule for discerning an inferior from a principal officer. Furthermore, if PTAB APJs are actually principal officers, the current process for appointing PTAB APJs remains unconstitutional. The Appointments Clause mandates that, unlike inferior officers, principal officers can only be appointed by the President with advice and consent of the Senate.

One case to consider is *Esmond v. United States*, where the Supreme Court held that "generally" inferior officers are those who are directed and supervised by others who have been appointed by the President with the advice and consent of the Senate.^[iv] In view of *Esmond*, officers that issue final executive decisions, subject only to Presidential review, are likely to be considered principal officers.

Here, the PTAB is the final authority within the PTO on matters of substantive law. The PTO Director, while retaining the power to appoint 3-member PTAB panels, does not have the express statutory authority to overrule PTAB decisions. Because PTAB panels make the final executive decision on matters of patent law, PTAB APJs are arguably principal officers under the *Edmonds* test.

Years ago Duffy anticipated this argument and reasoned that BPAI APJs are inferior and not principal officers because the PTO Director has the power to select panels, and designate certain opinions as precedential (and informative). This authority remains today for PTAB APJs. But other commentators have countered that "[t]he power to pick the panels is not the power to decide."^[v]

If PTAB APJs are determined to be principal officers then their appointment is unconstitutional in light of the Appointments Clause. This scenario could challenge the validity of PTAB decisions. While legislation similar to the 2008 corrective legislation could be passed to address this issue, both solutions provided in the 2008 legislation have weaknesses. The retroactive appointment of PTAB APJs conflicts with *Marbury v. Madison*, which states in dicta that appointment occurs when a commission has been signed.^[vi] The Supreme Court has also rejected that the "de facto officer" doctrine can protect judges who were unconstitutionally appointed.^[vii]

In *Lucia* the Supreme Court held that the appropriate remedy for an adjudication decided by an unconstitutionally-appointed official is a "new hearing before a properly appointed" official.

Furthermore, this official must not be the same official who heard the original adjudication, even if the original official has subsequently received a constitutional appointment. This remedy is available to “one who makes a timely challenge to the constitutional validity of the appointment of an officer who adjudicates his case.”

If the appointment of PTAB APJs is found to be unconstitutional, Congress may attempt to retroactively correct the problem with legislation similar to the 2008 corrective legislation. But in light of prior precedent, including *Lucia*, if the solutions were challenged the Supreme Court may deem them inadequate and remand the challenged case back to a new panel of constitutionally-appointed PTAB APJs. This remedy may be limited, however, to parties who timely challenge the constitutional validity of the PTAB APJs who adjudicated their case.

President Trump recently issued an [executive order](#) to counter *Lucia* that might end the debate. But we will see how this develops and update our readers as necessary.

[i] 138 S.Ct. 2044 (2018).

[ii] John F. Duffy, *Are Administrative Patent Judges Unconstitutional?*, 2007 Patently-O Patent L.J. 21.

[iii] 35 U.S.C. § 6 (2012).

[iv] 520 U.S. 651 (1997).

[v] Gary Lawson, *Appointments and Illegal Adjudication: The AIA through a Constitutional Lens*, 41 Geo. Mason U. L. Rev. (forthcoming 2018).

[vi] *Marbury v. Madison*, 5 U.S. (1 Cranch) 137 (1803).

[vii] *Ryder v. United States*, 515 U.S. 177 (1995).

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WORKING WITH YOUR SELECTED EXPERT: OUR AGLETS CASE REVISITED

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But now what?

How do you begin working with the expert?

Does representing a petitioner or patent owner impact strategy?

Does technology change things?

1. What should you tell the experts to avoid biasing them?

The only effective experts are candid experts who spot trouble and help resolve the gaps in the case. But at the same time, experts need to focus on the important issues of the case. So controlling information is vital to effective interaction with experts.

For patent owners, an expert needs to have an understanding of the infringement reads and claim construction to increase damages and ease of proving infringement. Ms. Boot should be able to provide an unbiased assessment of the relative strength of BadGuys's Petition. In

defending the patent against the attack, she also should be made aware of any nuance to be maintained in the district court, for example, the understanding of what a particular qualitative geometric term includes, such as “rounded edge about the radial extension element,” in order to maintain the infringement read while defending the patent.

For petitioners, an expert needs to understand the technology space and prior art field. The expert also needs to understand the non-infringement positions and what claim construction is required to avoid infringement. Of course Dr. Slipper should review and opine on the technical subject matter of the color-changing nano-coating and deficiencies of the applied art. But if an important aspect of the infringement claim construction is a dispute over whether a “black-to-white,” or “dark blue-to-light blue,” change is within the scope of the claim, that interpretation is something that is important to explore with the expert at an early stage.

Each of these requires experts who can see the bigger picture and are integral parts of the team at an early stage in the proceeding. At the same time, the expert needs to make their own assessment of all documents in order to ensure you are getting their candid, unbiased feedback.

2. The declaration

The declaration cannot be expanded upon during trial so it must be as complete as possible when filed. The declaration must account for both known and unknown positions the patent owner may take—and to a certain extent how the PTAB itself will view those positions. So your expert needs to pick apart your arguments and provide rebuttal. This will crystalize your best arguments and identify opportunities to change course prior to filing.

Additionally, your expert needs to be able to survive cross-examination on every word in their declaration – to stand behind their opinions. So the expert needs to be critical of everything found in their final declaration. If there is any doubt or hedging, work with the expert to come to an agreement on acceptable language, or else omit the position entirely.

The declaration also needs to cover all aspects of the case, such as resolution of the definition of a person of ordinary skill in the art, whether any terms require any express construction, and the presence (or absence) of secondary considerations to the extent applicable. For claims that cover multiple fields, it is foreseeable that multiple experts may be required to address different parts of a complex system claim, for example. In this way, each piece of the case is treated by the appropriate expert and bolsters the client’s chances for a win.

To achieve this level of comprehensiveness and complexity requires many interactions and drafts between the expert and attorneys. If travel and in-person meetings are not feasible, consider video conferences and other ways to interact with the expert. Additionally, litigation positions need to be taken into account and coordinated with the client and litigation counsel, ideally prior to the first draft.

Some technologies may benefit from the expert discussing additional references that confirm the state of the art (not used in grounds for unpatentability). Consider the narrative coming through in the declaration as well as the expert’s personal, hands-on experience. For example, Ms. Boot was a manufacturing and assembly engineer for over a decade, and can speak directly to building prototypes of aglets—indeed, she has a large personal library of *Rock Tech Quarterly*, the premier journal on rock climbing technology from her days in the plant. Her personal narrative, coupled with her knowledge of a particular issue discussing a prior aglet development, may be helpful in crafting the declaration and lending credibility to her opinions.

Focusing your expert on the relevant timeline is also important. Dr. Slipper will provide a technology tutorial and show that in reality, BadGuys’s color-changing scheme is old and well-

known. On the other hand, Ms. Boot will make clear that SneakRTech was a pioneer in desert rock climbing aglet technology and succeeded where so many others had failed—likely focusing on a much shorter time period of relevant technology.

Finally, on the Patent Owner side, consider whether to include declarations with the [preliminary response](#). Recent data appears to favor such a strategy, particularly to attack motivations to combine and work to have an early win.

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Next up ---- the deposition.

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On July 10, 2018, the PTAB informed the patent bar that they designated five decisions as informative for: issue preclusion; use of and versus or when referencing lists; DJ bar for joinder cases; depositions in foreign languages; and motions to seal.

Two are from *ex parte* examination:

[Ex parte Ditzik, 2018-000087 \(Mar. 2, 2018\)](#). The Board found the Examiner properly used issue preclusion despite the appellant arguing: (A) different standards of the forums; (B) different claims; (C) new evidence; (D) incorrect trial testimony resulted in the wrong result at trial and on appeal; (E) appellant did not have a full and fair opportunity to litigate; (F) the district court's judgments are not final; (G) the PTO was not a party to the prior proceedings; and (H) the Board should use its discretion to provide expert guidance.

[Ex parte Jung, 2016-008290 \(Mar. 22, 2017\)](#). The Board applied *SuperGuide Corp v. DirectTV Enters., Inc.*, 358 F.3d 870, 885–86 (Fed. Cir. 2004) -- there is a difference between a list separated by “and” and “or.” The meaning of “at least one of A and B” is the conjunctive phrase requiring the presence of both A and B. The Examiner can rebut by demonstrating that the claims, specification, or prosecution history requires a broader meaning.

Three are from *inter partes* review proceedings:

[Colas Sols, Inc. v. Blacklidge Emulsions, Inc., Case IPR2018-00242, Paper 9 \(Feb. 27, 2018\)](#). A motion for joinder does not exempt a petition from the statutory bar of § 315(a)(1) (barring institution of an *inter partes* review where a petitioner files a declaratory judgment action challenging the same patent before filing a petition). § 315(b) states that it “shall not apply to a request for joinder under subsection (c),” but § 315(a)(1) does not include similar language.

Ariosa Diagnostics v. Isis Innovation Ltd., Case IPR2012-00022, Paper 55 (Aug. 7, 2013). 12 general guidelines for taking a deposition in a foreign language pursuant to 37 C.F.R. § 42.53

Argentum Pharm. LLC v. Alcon Research, Ltd., Case IPR2017-01053, Paper 27 (Jan. 19, 2018). Establishing guidance for motions to seal under 37 C.F.R. § 42.54(a) (“[t]he Board may, for good cause, issue an order to protect a party . . . from disclosing confidential information”). One must demonstrate that: “(1) the information sought to be sealed is truly confidential, (2) a concrete harm would result upon public disclosure, (3) there exists a genuine need to rely in the trial on the specific information sought to be sealed, and (4) on balance, an interest in maintaining confidentiality outweighs the strong public interest in having an open record.”

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