
Federal Circuit Appeals from the PTAB and ITC

Summaries of Key 2022 Decisions

7TH EDITION

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Introduction

As part of the recovery from the global COVID-19 pandemic, the U.S. Court of Appeals for the Federal Circuit took steps to return to normal operations. It began requiring live oral arguments in August 2022 and, by November, members of the public could attend.

Turning to the statistics, the number of appeals from the U.S. Patent and Trademark Office (USPTO) stayed relatively the same as in 2021. The spike in appeals from the Court of Federal Claims that appeared last year has disappeared, with the number now returned to historical levels. The number of appeals from district court also rebounded to the 2020 level. Pendency for Patent Trial and Appeal Board (PTAB) appeals increased in 2022 to the highest ever, at more than 16 months.

Appellate results continued to strongly favor appellees. Overall in 2022, 73% of the PTAB's Leahy-Smith America Invents Act (AIA) decisions were affirmed, 18% were remanded, 5% were reversed, and 3% were dismissed. The affirmance rate has checked in between 73% and 79% for each of the last six years. Additionally, the percentage of Federal Circuit's AIA appeals that resulted in precedential opinions rebounded to 20% after a sharp decline last year. Nonprecedential opinions correspondingly dropped, making up only 39% of the court's decisions. Rule 36 summary affirmances, however, rose to 41%, in line with historical data.

We have chosen a mix of cases from 2022 dealing with topics like exclusion of expert testimony, the ITC's ability to enforce consent orders, estoppel by IPR final written decisions, standing to challenge PTAB decisions on appeal, obviousness in light of overlapping ranges in the prior art, and the impact of settlements of IPRs before the PTAB.

The summaries and statistics in this review are the results of a collaborative process. We thank our co-authors—Kristina Caggiano Kelly, Deirdre Wells, Richard Crudo, Jon Wright, Anna Phillips, Trey Powers, and Jennifer Meyer Chagnon. We also thank Patrick Murray for his data and statistics contributions.

We appreciate your interest in this report, and we encourage you to see our firm's other 2022 year-in-review reports and on-demand webinars, available at sternekessler.com or by request. Please feel free to reach out to either of us if you have questions about this report, wish to discuss the future of Federal Circuit appeals, or if you would like hard copies of this report.

Best regards,



Michael Joffre

Co-Chair, Appellate Practice



William H. Milliken

Co-Chair, Appellate Practice

Editor and Author Biographies

EDITOR

Michael Joffre, Ph.D., a director in the Trial & Appellate Practice Group and co-chair of the Appellate Practice, focuses his practice on intellectual property disputes before trial and appellate courts. He has briefed and argued matters in jurisdictions throughout the country, including Texas, California, Wisconsin, Delaware, the U.S. International Trade Commission, the Patent Trial and Appeal Board, and the U.S. Court of Appeals for the Federal Circuit. He has also represented clients before the U.S. Supreme Court at both the certiorari and merits stages. Michael clerked for the Hon. Judge William C. Bryson of the U.S. Court of Appeals for the Federal Circuit.



AUTHORS

Jennifer Meyer Chagnon is counsel in the Electronics Practice Group. A former Lead Administrative Patent Judge at the Patent Trial and Appeal Board (PTAB), Jennifer presided over more than 450 *inter partes* review and post-grant review proceedings under the America Invents Act. She also adjudicated *ex parte* appeals, reviewing adverse decisions of examiners of applications for patents. She presided over cases in a variety of technology areas including the electrical, computer, chemical, mechanical and biological arts. Jennifer's practice focuses on assisting clients with PTAB challenges and developing litigation strategies with an eye toward how PTAB challenges may impact those strategies.



Richard A. Crudo is counsel in the Electronics Practice Group. He has more than a decade's worth of experience litigating patent cases and has represented clients from a broad range of industries — including the computer software and hardware, medical device, biotech, information technology, financial services, and smart-phone industries — before the Supreme Court, the Federal Circuit, the district courts, and the Patent Office. His practice encompasses all stages of litigation, from pleadings and discovery to dispositive motion practice, trial, and appeal. Richard clerked for the Hon. Kathleen M. O'Malley of the U.S. Court of Appeals for the Federal Circuit.



Kristina Caggiano Kelly is a director in the Trial & Appellate Practice Group, representing clients in all stages of litigation before the Patent Trial and Appeal Board, district courts, U.S. Court of Appeals for the Federal Circuit, and U.S. Supreme Court. She has experience in both *inter partes* disputes and patent prosecution in a wide variety of technological areas and venues, including Hatch-Waxman filings, U.S. International Trade Commission investigations, and opinion work. She clerked for the Hon. Sharon Prost of the U.S. Court of Appeals for the Federal Circuit.



William H. Milliken is a director in the Trial & Appellate and Electronics Practice Groups and co-chairs the Appellate Practice. His practice focuses on patent litigation in the U.S. Court of Appeals for the Federal Circuit, federal district courts, the U.S. International Trade Commission, and the Patent Trial and Appeal Board. He has extensive experience trying patent infringement cases in district court and briefing and arguing Federal Circuit appeals and complex motions. William is also an Adjunct



Professor of Law at the Antonin Scalia Law School of George Mason University, where he teaches an upper-level seminar on Patent Office litigation. William clerked for the Hon. Sandra Lynch of the U.S. Court of Appeals for the First Circuit and for the Hon. Sarah Vance of the U.S. District Court for the Eastern District of Louisiana.

Anna G. Phillips is a director in the Trial & Appellate Practice Group. She represents clients in complex patent matters in federal district courts and the U.S. International Trade Commission, in contested proceedings before the Patent Trial and Appeal Board, and in appeals at the U.S. Court of Appeals for the Federal Circuit. Anna also served as a law clerk for the Hon. Jimmie V. Reyna of the U.S. Court of Appeals for the Federal Circuit and the Hon. John D. Love of the U.S. District Court for the Eastern District of Texas.



R. Wilson "Trey" Powers III, Ph.D., is a director in the Trial & Appellate and Biotechnology & Chemical Practice Groups and co-chairs the PTAB Trials Practice. He has served as counsel on over 85 *inter partes* review and post grant review proceedings and has extensive experience litigating before the Patent Trial and Appeal Board. Trey also works with clients on a variety of other matters including district court litigation, intellectual property strategic advice, licensing, U.S. International Trade Commission investigations under §337, evaluating patent portfolios, drafting patent applications, and prosecuting interferences.



Deirdre M. Wells is a director in the Trial & Appellate Practice Group. She has extensive trial experience before judges and juries in federal district courts and is a member of the U.S. International Trade Commission litigation team. Deirdre's experience encompasses all aspects of intellectual property litigation, including utility patents, design patents, federal and state trademarks, trade dress, and false advertising claims. Deirdre also has experience licensing, analyzing, and assessing intellectual property portfolios, litigating post-grant review proceedings before the Patent Trial and Appeal Board, and formulating *inter partes* reexamination requests and appeals before the U.S. Court of Appeals for the Federal Circuit.



Jon E. Wright is a director in the Trial & Appellate and Electronics Practice Groups and co-chairs the PTAB Trials Practice. He has briefed and argued numerous appeals to the U.S. Court of Appeals for the Federal Circuit. He is also an experienced U.S. Patent and Trademark Office litigator having represented mostly patent owners in nearly 200 post-grant proceedings before the Patent Trial and Appeal Board. He holds a BSEE from the University of Vermont, and spent seven years in the U.S. Navy Submarine Force before entering law school. Jon clerked for the Hon. Judge Alvin A. Schall of the U.S. Court of Appeals for the Federal Circuit.



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***Kyocera Senco Indus. Tools v. Int’l Trade Comm’n*, 22 F.4th 1369 (Fed. Cir. 2022) (Moore, Dyk, Cunningham)**

BY KRISTINA CAGGIANO KELLY

The patent holder, Kyocera, filed a complaint in the International Trade Commission against Koki in *Certain Gas Spring Nailer Prods. & Components Thereof*, Inv. No. 337-TA-1082, 2020 WL 2093834 (Apr. 28, 2020). Kyocera’s asserted patents related to gas-spring nailers, like compressed-air power staple and nail guns. Some asserted claims included a limitation reciting “a prime mover that moves a lifter member which moves a driver member away from an exit end of the mechanism.” The parties disputed the construction of the term “lifter member,” with Koki arguing that “member” was a nonce word akin to “means.” The Federal Circuit agreed, finding that “lifter member” did not connote sufficient structure on its own and thus overcame the presumption against 35 U.S.C. § 112 ¶ 6. The court also found that the surrounding claim language did not provide the needed structural recitation for the lifter member.

The word “member,” like “means,” will generally be given means-plus-function treatment.

The court thus confirmed the precedent in *Mas-Hamilton Grp. v. LaGard, Inc.*, 156 F.3d 1206 (Fed Cir. 1998), by holding that the word “member,” like “means,” will generally be given means-plus-function treatment. This is a departure from the more recent decision in *CCS Fitness, Inc. v. Brunswick Corp.*, which held the opposite. 288 F.3d 1359, 1367 (Fed. Cir. 2002) (“‘member,’ as defined by common and technical dictionaries, refers to a ‘structural unit such as a...beam or tie, or a combination of these’”). In sum, patentees cannot rely on any generic words to be *per se* structural.

The court also noted that, under § 112 ¶ 6, the claimed structure included “the structure, materials, or acts

An expert must have at least ordinary skill in the pertinent art for his testimony to be relevant and reliable.

described in the specification as corresponding to the claimed function and equivalents thereof.” But the statutory equivalents encompassed in this standard is not necessarily the same as the judicial doctrine of equivalents for infringement. Despite briefing the judicial doctrine of equivalents in the context of infringement, the parties had not thoroughly briefed what structures described in the specification correspond to the lifter member or the scope of “equivalents thereof” in the claim construction context. The Federal Circuit thus remanded to the ITC to adjudicate infringement under the proper claim construction.

The court also addressed the exclusion of Kyocera’s expert testimony as unqualified for not satisfying the level of ordinary skill in the art. At trial, Koki advanced, Kyocera did not specifically contest, and the Administrative Law Judge (ALJ) adopted a definition of the level of ordinary skill as requiring two years’ experience in designing power nailers. Kyocera’s technical expert on claim construction, invalidity, and infringement had advanced degrees in engineering and extensive experience in the design and manufacture of fastener driving tools—but did not have experience in power nailer design, specifically. The ALJ thus concluded that he did not satisfy the definition of an ordinarily skilled artisan. The ALJ accordingly allowed the expert to testify as to his opinions on literal infringement but excluded all other testimony (claim construction, invalidity, and doctrine of equivalents) as unqualified.

The Federal Circuit held that it was an abuse of discretion for the ALJ to allow an expert to testify on literal infringement if the expert was unqualified to testify as to the perspective of a skilled artisan. The court

explained that an expert must have at least ordinary skill in the pertinent art for his testimony to be relevant and reliable. There is nothing about literal infringement that would make an unqualified witness's testimony more relevant or reliable than, for example, infringement under the doctrine of equivalents.

It is rare for an expert to be excluded for lacking the minimum level of experience to qualify as an ordinarily skilled artisan. Following the opinion in this case, parties should take care to ensure that the definition of the skilled artisan fits the experience of their experts. Moreover, this decision creates particular uncertainty in cases where a cross-disciplinary invention implicates a hypothetical "person" who represents a team of collaborators. Such cases often arise in, for example, computer-assisted life-science applications, where joint inventors might include a person holding a Ph.D. in biochemistry, a practicing physician, and an experienced software engineer. Rarely would one expert be a person of ordinary skill in more than one of those arts.

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- Intellectual Asset Management "IAM Patent 1000 2021"

***DBN Holding v. Int’l Trade Comm’n*, 26 F.4th 1363 (Fed. Cir. 2022) (Moore, Newman, Reyna)**

BY KRISTINA CAGGIANO KELLY

This appeal marked the fourth Federal Circuit decision in a series of cases arising from BriarTek IP Inc.’s patents on two-way global satellite communication devices. BriarTek sought to enforce its patents against multiple parties, including DBN Holding, in parallel proceedings before the U.S. District Court for the Eastern District of Virginia and the International Trade Commission.

The ITC has the authority to issue prospective injunctions against respondents involved in the importation of infringing goods but not the authority to award damages for past infringement. Accordingly, one way a respondent may extricate itself from an ITC investigation is by signing a consent order that it will no longer import, or sell for or after importation, infringing goods. A consent order is like a settlement agreement between the Commission and respondent (bypassing the patentee). And the ITC can impose a civil penalty against a respondent for breaching a consent order.

DBN entered into a consent order that included the following terms:

1. Upon entry of the proposed Consent Order, [DBN] shall not import into the United States, sell for importation into the United States, or sell or offer for sale within the United States after importation any two-way global satellite communication devices, system, and components thereof, that infringe claims 1, 2, 5, 10–12, and 34 of the ’380 Patent after April 1, 2013, until the expiration, invalidation, and/or unenforceability of the ’380 Patent.
2. [DBN] shall be precluded from seeking judicial review or otherwise challenging or contesting the validity of this Consent Order....
4. The Consent Order shall not apply with respect to any claim of any intellectual property right that has expired or been found or adjudicated invalid or unenforceable by the [ITC] or a court or agency of competent jurisdiction, provided that such finding or judgment has become final and non-reviewable.

A subsequent patent invalidity judgment will not absolve a party of liability for an earlier breach of a consent order.

In other words, DBN agreed to cease the accused infringement unless and until the asserted claim had been finally adjudicated to be “invalid or unenforceable” in any forum. Subsequently, the ITC found that DBN breached the consent order by continuing to infringe and assessed a penalty of \$6.2 million.

Meanwhile, in parallel proceedings, the district court held the asserted patent to be invalid, and the Federal Circuit affirmed. *DeLorme Publ’g Co. v. BriarTek IP, Inc.*, 622 F. App’x 912, 913 (Fed. Cir. 2015). DBN then returned to the ITC with a petition under 19 C.F.R. §§ 210.76(a)(1)–(2) to rescind its prior penalty assessment, citing clause 4 of the Consent Order. The Commission denied the petition.

The Federal Circuit vacated and remanded the denial of DBN’s petition, with instructions to the ITC to determine “whether to modify or rescind the civil penalty pursuant to 19 C.F.R. § 210.76 based on the final judgment of invalidity” of the asserted patent. *DBN Holding, Inc. v. Int’l Trade Comm’n*, 755 F. App’x 993, 998 (Fed. Cir. 2018). On remand, the ITC determined that the civil penalty did not require modification or rescission and denied the relief requested on that basis. DBN then brought the present appeal, arguing that the ITC had abused its discretion in ignoring the invalidity provision of the consent order.

DBN's argument relied mainly on a prior ITC decision, *Certain Neodymium-Iron-Boron Magnets, Magnet Alloys, and Articles Containing Same*, Inv. No. 337-TA-372 (October 1999), in which the ITC rescinded a civil penalty for breaching a consent order in view of similar post-order developments. In that investigation, however, there was not a subsequent invalidity finding. Rather, the parties agreed to a retroactive license and filed a joint motion at the ITC to vacate the civil penalty. The Federal Circuit found that the *Magnets* decision was therefore distinguishable. The parties in *Magnets* retroactively changed the infringing nature of the sales that triggered the penalty and the request to rescind the penalty was joint. Here, the sales that triggered the penalty were never authorized and were a violation at the time. That the patent was later found to be invalid did not rewrite the history of the breach. The Federal Circuit thus affirmed that the ITC did not abuse its discretion in denying the petition.

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***Thaler v. Vidal*, 43 F.4th 1207 (Fed. Cir. 2022) (Moore, Taranto, Stark)**

BY DEIRDRE M. WELLS

Steven Thaler filed two patent applications naming “Device for the Autonomous Bootstrapping of Unified Science” (DABUS) as the sole inventor. DABUS is an artificial intelligence software system. The U.S. Patent and Trademark Office (PTO) determined that the patent applications lacked a valid inventor and issued a notice requesting an identification of valid inventors. Thaler petitioned the PTO Director to vacate the notices, which the PTO denied. Thaler then sued the PTO in the U.S. District Court for the Eastern District of Virginia under the Administrative Procedure Act. The district court granted the PTO’s motion for summary judgment, concluding that the applications lacked an inventor because, under the law, an “inventor” must be an “individual,” and the plain meaning of “individual” in the statute is a natural person.

Thaler appealed to the Federal Circuit, which affirmed. The court began its analysis with the language of the Patent Act, which defines an “inventor,” at 35 U.S.C. § 100(f), as the “individual or, if a joint invention, the individuals collectively who invented or discovered the subject matter of the invention.” The court held that, although the Patent Act does not define “individual,” it is clear from the language of the statute that an “individual” is a natural person, i.e., a human being. For example, the court noted that the statute uses the pronouns “himself” and “herself” rather than “itself” in reference to “individual” and the statute requires inventors to submit an oath or declaration. The court also noted that the Supreme Court has held that, unless there is an indication Congress intended otherwise, the word “individual” in statutes refers to a human being. The court also noted that requiring an “inventor” to be a human being is also consistent with its precedent, which held that neither corporations nor sovereigns can be inventors because they are not natural persons.

An “inventor” must be an “individual,” and the plain meaning of “individual” in the statute is a natural person.

Finally, while the court concluded that the statutory language was unambiguous, it noted that dictionaries also confirm that the common understanding of the word “individual” is a human being.

In concluding, however, the court noted that the question whether inventions made by human beings with the assistance of artificial intelligence are eligible for patent protection was not before it.

Tiger Lily Ventures Ltd. v. Barclays Capital Inc., 35 F.4th 1352 (Fed. Cir. 2022) (Lourie, Bryson, Prost)

BY DEIRDRE M. WELLS

Barclays Capital Inc. filed oppositions with the Trademark Trial and Appeal Board (TTAB) against Tiger Lily Ventures Ltd.'s two applications for the standard character mark "LEHMAN BROTHERS" alleging that Tiger Lily's marks are likely to cause confusion with its own LEHMAN BROTHERS marks. In 2008—shortly after Lehman Brothers filed for bankruptcy—Barclays acquired Lehman Brothers' rights to its LEHMAN BROTHERS federal trademark registrations. But, over the years that followed, Barclays had allowed its acquired LEHMAN BROTHERS trademark registrations to expire.

Tiger Lily then filed two applications to register the LEHMAN BROTHERS mark for beer and spirits and for bar services and restaurant services. In addition to its oppositions to Tiger Lily's applications, Barclays filed its own application to register the LEHMAN BROTHERS mark but for use in connection with financial services. The TTAB sustained Barclays two oppositions.

Tiger Lily appealed to the Federal Circuit, which affirmed the TTAB's ruling. The Federal Circuit found that there was sufficient evidence to support the TTAB's findings that, despite their expiration, Barclays had shown that it did not abandon its rights in the LEHMAN BROTHERS mark (and therefore had prior use of the mark) and that there would be a likelihood of confusion if Tiger Lily used the LEHMAN BROTHERS mark.

Turning first to abandonment, the Federal Circuit noted that even limited use can be sufficient to avoid an abandonment finding. Although Barclays had allowed its registrations to expire, the Federal Circuit found that Barclays' continued use (even if limited) as well as Lehman Brother's continued use (under a license from Barclays) of the LEHMAN BROTHERS mark was sufficient to avoid an abandonment finding. Particularly relevant to the Federal Circuit was Tiger

Tiger Lily's attempts to capitalize on the fame and widespread consumer recognition (even if negative) of Barclays' LEHMAN BROTHERS mark played a dominant role in finding a likelihood of confusion of its proposed LEHMAN BROTHERS mark.

Lily's concession that at least one Lehman Brothers affiliated company has continuously used the LEHMAN BROTHERS mark.

Turning to likelihood of confusion, the Federal Circuit noted that Tiger Lily did not dispute the TTAB's finding that the marks are identical, but rather argued that (a) the goods and services offered by Barclays are dissimilar to those offered by Tiger Lily; and (b) Tiger Lily's use of the mark would not lead to consumer confusion. The Federal Circuit gave weight to Barclays' argument that commercial trademarks are often licensed for use on products different from the original source of the trademark and the fact that Barclays itself had used the LEHMAN BROTHERS trademark on products related to alcoholic beverages in marketing its banking products and services. Additionally, the Federal Circuit explained that the high degree of fame achieved by the LEHMAN BROTHERS mark affords the mark a broad scope of protection.

Finally—and perhaps most important to its analysis—the Federal Circuit noted that Tiger Lily itself admitted that it sought to draw a connection between its goods and services and the legacy of Lehman Brothers. Tiger Lily argued that it was trying to trade on the “bad will” (rather than goodwill) associated with the LEHMAN BROTHERS mark, but the Federal Circuit said that there was no legal support for the distinction between bad will and goodwill that Tiger Lily sought to draw. The Federal Circuit said that Tiger Lily's attempts to capitalize on the fame and widespread consumer recognition (even if negative) of Barclays' LEHMAN BROTHERS mark played a dominant role in finding a likelihood of confusion.



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This report provides an overview of key 2022 cases involving design patents that were before the Patent Trial and Appeal Board, U.S. District Courts, the U.S. Court of Appeals for the Federal Circuit, and the U.S. International Trade Commission. Updates on important developments in design law globally are also addressed.

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California Institute of Technology v. Broadcom Ltd., 25 F.4th 976 (Fed. Cir. 2022) (Lourie, Linn, Dyk (concurring-in-part and dissenting-in-part))

BY RICHARD A. CRUDO

Caltech sued Broadcom and Apple for infringement, asserting three of its data transmission patents against Broadcom's WiFi chips and certain Apple products that incorporate those chips. Apple then filed IPR petitions challenging the asserted claims as obvious over various combinations of prior art. Despite instituting review, the Board ultimately determined that Apple had failed to show that the claims were unpatentable.

Meanwhile, in district court, Broadcom and Apple asserted that Caltech's patents were invalid over different combinations of art not asserted in the IPR petitions. Caltech moved for summary judgment of no invalidity, arguing that Broadcom's and Apple's invalidity arguments were barred by 35 U.S.C. § 315(e)(2), which estops an IPR petitioner following a final written decision from asserting in district court invalidity grounds that the petitioner raised or reasonably could have raised "during th[e] inter partes review." Broadcom and Apple responded that the statute applies only to grounds that could have been raised "during" the IPR, and that under *Shaw Industries Group, Inc. v. Automated Creel Systems, Inc.*, 817 F.3d 1293 (Fed. Cir. 2016), an IPR "does not begin until it is instituted," meaning § 315(e)(2) estoppel does not preclude petitioners from asserting non-instituted grounds. Applying this same logic, Broadcom and Apple argued that estoppel does not preclude them from asserting invalidity grounds not raised in Apple's petitions because those grounds were likewise not instituted. The district court rejected these arguments and granted Caltech's motion. The case went to trial, resulting in an infringement verdict on all three patents and a damages award of more than \$1.1 billion.

The Federal Circuit affirmed the district court's estoppel ruling. The court noted that *Shaw* involved petitioned-for grounds that were not instituted under the Board's then-common practice of instituting on fewer than all grounds. *Shaw* holds that estoppel does not attach in those circumstances, as "Congress could not

have intended to bar later litigation of the issues that the [Board] declined to consider." But the partial-institution regime under which *Shaw* was decided was abrogated by the Supreme Court in *SAS Institute, Inc. v. Iancu*, 138 S. Ct. 1348 (2018), which established that the Board has "no partial institution authority" and that "it is the petition, not the institution decision, that defines the scope of the IPR." In light of *SAS*, the Federal Circuit reasoned, *Shaw's* holding is no longer viable. The court thus clarified that § 315(e)(2) "estoppel applies not just to claims and grounds asserted in the petition and instituted for consideration by the Board, but to all grounds not stated in the petition but which reasonably could have been asserted against the claims included in the petition."

Because it was undisputed that Apple was aware of the prior art at issue when it filed its IPR petitions, the Federal Circuit determined that Broadcom's and Apple's district court invalidity arguments reasonably could have been made in the petitions. The court thus affirmed the district court's estoppel ruling.

Broadcom and Apple petitioned the Supreme Court for certiorari, arguing that the Federal Circuit's reading of § 315(e)(2) expands estoppel beyond the statute's plain language to cover any ground that could have been raised in a petition before an IPR begins rather than "during" the IPR itself. The Supreme Court requested a response from Caltech, which argued that Broadcom's and Apple's reading of the statute as applying only to invalidity grounds actually raised in a petition renders the statute's phrase "reasonably could have raised" superfluous. The Supreme Court also called for the views of the Solicitor General, which, as of the date of this article, have not yet been submitted.

***Intuitive Surgical, Inc. v. Ethicon LLC*, 25 F.4th 1035 (Fed. Cir. 2022) (O'Malley, Clevenger, Stoll)**

BY RICHARD A. CRUDO

Intuitive filed three IPR petitions, all on the same day, challenging Ethicon's endoscopic surgical instrument patent. The petitions challenged overlapping claims based on different combinations of prior art references. The Board instituted review of two petitions on the same day and of the third petition one month later, resulting in a different timeline for that IPR.

While the third IPR was pending, the Board issued final written decisions in the first two IPRs upholding the overlapping claims. Ethicon then filed a motion to terminate the third IPR, arguing that the Board's final written decisions barred Intuitive's IPR under 35 U.S.C. § 315(e)(1), which estops a petitioner following a final written decision from "request[ing] or maintain[ing]" a subsequent PTO proceeding with respect to grounds that the petitioner raised or reasonably could have raised during the earlier IPR. The Board agreed that Intuitive was estopped but decided that terminating the IPR without adjudicating the merits was inappropriate given the advanced stage of the proceeding. The Board thus issued a final written decision terminating Intuitive as a petitioner and upholding the claims on the merits.

Intuitive appealed, arguing that § 315(e)(1) estoppel does not apply to simultaneously filed petitions instituted on different timelines. The Federal Circuit disagreed and affirmed the Board's estoppel ruling. At the outset, the court determined that it had jurisdiction to review the estoppel ruling because the ruling was not a reconsideration of the institution decision but, rather, a "final" decision with respect to the IPR. Turning to § 315(e)(1), the court concluded that the statute "estops a petitioner as to invalidity grounds for an asserted claim that it failed to raise but 'reasonably could have raised' in an earlier decided IPR, regardless of whether the petitions were simultaneously filed and regardless of the reasons for their separate filing." The court determined that Intuitive knew of the prior art asserted in the third IPR at the time it

Section 315(e)(1) "estops a petitioner as to invalidity grounds for an asserted claim that it failed to raise but 'reasonably could have raised' in an earlier decided IPR, regardless of whether the petitions were simultaneously filed and regardless of the reasons for their separate filing."

filed the other two petitions and knew which claims it wanted to challenge based on that art. Accordingly, estoppel applied.

In so ruling, the court rejected Intuitive's argument that the Board's petition word limit prevented it from raising all grounds in the first two IPRs. Intuitive "could have made its challenges more pointed and specific so as to fit all of its grounds in two petitions satisfying the word limits," the court noted. And, in any event, Intuitive could have filed three full-length petitions while avoiding § 315(e)(1) by, for example, seeking consolidation, having each petition focus on separate claims, or requesting that the cases proceed to final written decision on the same timeline. The court also rejected Intuitive's argument based on *Shaw Industries Group, Inc. v. Automated Creel Systems, Inc.*, 817 F.3d 1293 (Fed. Cir. 2016), that the Board erred by focusing on whether invalidity grounds were raised in the petition rather than after institution. That argument, the court determined, is foreclosed by *California Institute of Technology v. Broadcom Ltd.*, 25 F.4th 976 (Fed. Cir. 2022), which overruled *Shaw*.

Finally, the court determined that § 315(e)(1) was triggered as soon as the final written decisions in the first two IPRs issued, at which time Intuitive was no longer a party to the third IPR. And, because only IPR parties can appeal the merits of a final written decision, the Federal Circuit found that it lacked jurisdiction over Intuitive's merits appeal. The court thus dismissed the appeal without reaching the merits.

RELATED CASES

- *Click-to-Call Technologies LP v. Ingenio, Inc.*, 45 F.4th 1363 (Fed. Cir. 2022) (Stoll, Schall, Cunningham) (ruling that final written decision upholding certain claims estopped petitioner under § 315(e)(2) from asserting in district court the same prior art reference against a petitioned-for but non-instituted claim, where petitioner never sought post-SAS remand for institution of claim).
- *Hologic, Inc. v. Minerva Surgical, Inc.*, 44 F.4th 1358 (Fed. Cir. 2022) (Stoll, Clevenger, Wallach) (on remand from the Supreme Court, holding that assignor estoppel barred accused infringer from challenging validity of patent claim that was not "materially broader" than claim of a related, earlier-filed application that the accused infringer had indirectly assigned to the patentee but had cancelled during prosecution).
- *Google LLC v. Hammond Development International, Inc.*, 54 F.4th 1377 (Fed. Cir. 2022) (Moore, Chen, Stoll) (holding that patent owner was collaterally estopped from litigating validity of patent claim on appeal from an IPR based on the Board's intervening ruling in a different IPR invalidating claim of a related patent over the same art).

Sterne Kessler is ranked as the fourth most active law firm overall (representing appellees or appellants) at the U.S. Court of Appeals for the Federal Circuit over a five-year period from January 1, 2017, through December 31, 2021.

- Patexia "2022 CAFC Intelligence Report"

***Nippon Shinyaku Co. v. Sarepta Therapeutics, Inc.*, 25 F.4th 998 (Fed. Cir. 2022) (Newman, Lourie, Stoll)**

BY WILLIAM H. MILLIKEN

Nippon Shinyaku and Sarepta entered into a Mutual Confidentiality Agreement to facilitate discussions about a potential business relationship related to muscular dystrophy therapies. Section 6.1 of the MCA contained a mutual covenant not to sue that lasted for a period defined as the “Covenant Term.” The covenant expressly encompassed “challenges before the U.S. Patent and Trademark Office.” Section 10 of the MCA was a forum-selection clause providing that, for two years following the Covenant Term, “all Potential Actions arising under U.S. law relating to patent infringement or invalidity” must be filed in the U.S. District Court for the District of Delaware. “Potential Actions” were defined as “any patent or other intellectual property disputes” between the parties “filed with a court or other administrative agency.”

The day the Covenant Term expired, Sarepta filed IPR petitions against several Nippon Shinyaku patents. Nippon Shinyaku sued Sarepta in the U.S. District Court for the District of Delaware, arguing that Sarepta’s filing the IPR petitions breached the MCA’s forum-selection clause. Nippon Shinyaku also sought a preliminary injunction requiring Sarepta to withdraw the petitions.

The district court denied the request for injunctive relief, concluding that Nippon Shinyaku was not likely to succeed on the merits. The court held that the forum-selection clause did not apply because “Potential Actions” was “best understood as limited to cases in federal district court.” *First*, the district court reasoned, because the covenant not to sue “expressly deferred the filing of IPR petitions for” the Covenant Term, it would be “odd” to read the forum-selection clause as “impliedly” delaying them for two more years. *Second*, the district court observed that the forum-selection clause included a waiver of contests to personal jurisdiction or venue—concepts that relate only to district-court litigation and do not apply at the Board. *Third*, the district court noted that interpreting

A forum-selection clause that encompasses “any patent or other intellectual property disputes” between the parties “filed with a court or other administrative agency” can preclude post-grant proceedings at the U.S. Patent and Trademark Office.

the forum-selection clause to apply to IPRs could have the effect of barring IPRs altogether, given the one-year time bar of 35 U.S.C. § 315.

The Federal Circuit reversed. The “the plain language for the forum selection clause,” the court held, resolved the dispute in favor of Nippon Shinyaku. The MCA defined “Potential Actions” to include disputes “filed with a court *or administrative agency*,” meaning it “literally encompass[ed]” IPRs before the Board.

The Federal Circuit rejected each of the rationales the district court had provided for its contrary result. *First*, the court concluded that there was no tension between the covenant not to sue and the forum selection clause. The former merely prohibited litigation of any kind (regardless of forum) during the Covenant Term, while the latter channeled litigation filed after that term into a specific forum. *Second*, the court rejected the proposition that the forum-selection clause’s mention of jurisdiction and venue evidenced an intent by the parties “to categorically exclude IPRs.” *Third*, the court noted that “parties are entitled to bargain away their rights to file IPR petitions, including through the use of forum-selection clauses,” and that in any event the interpretation of MCA’s forum-selection clause should not turn on the possibility of an event (the filing of a district-court complaint) occurring long after the parties entered into the agreement.

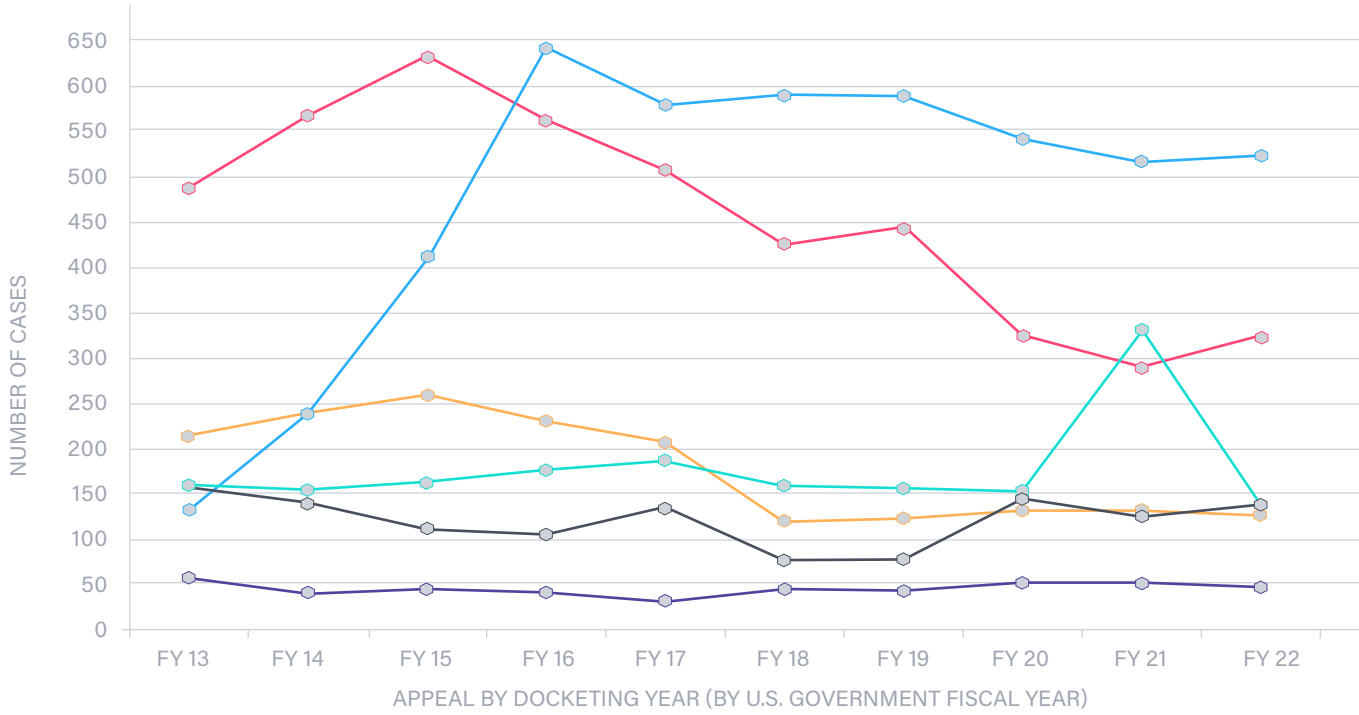
With respect to the remaining preliminary-injunction factors—irreparable harm, balance of hardships, and the public interest—the court likewise found in favor of Nippon Shinyaku. Nippon Shinyaku's loss of its bargained-for forum constituted irreparable harm. The balance of hardships tipped in Nippon Shinyaku's favor because a preliminary injunction would merely require Sarepta to litigate its invalidity challenges in the chosen forum rather than before the Board. With respect to the public interest, there was nothing "unfair about holding Sarepta to its bargain." To be sure, "Congress desired to serve the public interest by creating IPRs to allow parties to quickly and efficiently challenge patents," but, the court concluded, "it does not follow that it is necessarily against the public interest for an individual party to bargain away its opportunity to do so."

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United States Court of Appeals for the Federal Circuit

Major Origins of Appeals

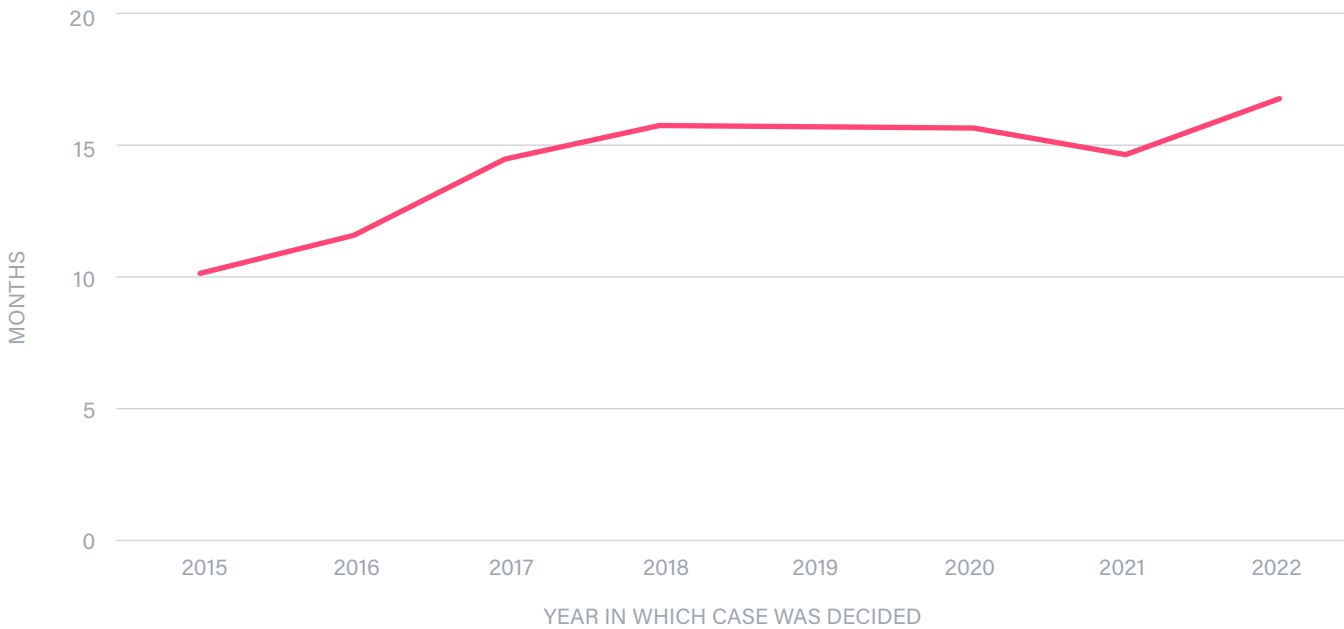


- District Courts
- Court of Federal Claims
- Court of International Trade
- Court of Appeals for Veterans Claims
- Merit Systems Protection Board
- Patent & Trademark Office

After two years of declines, new appeals from the USPTO increased modestly in FY22. Appeals from district courts increased year over year as well, bucking a trend of declines that dates back to FY16.

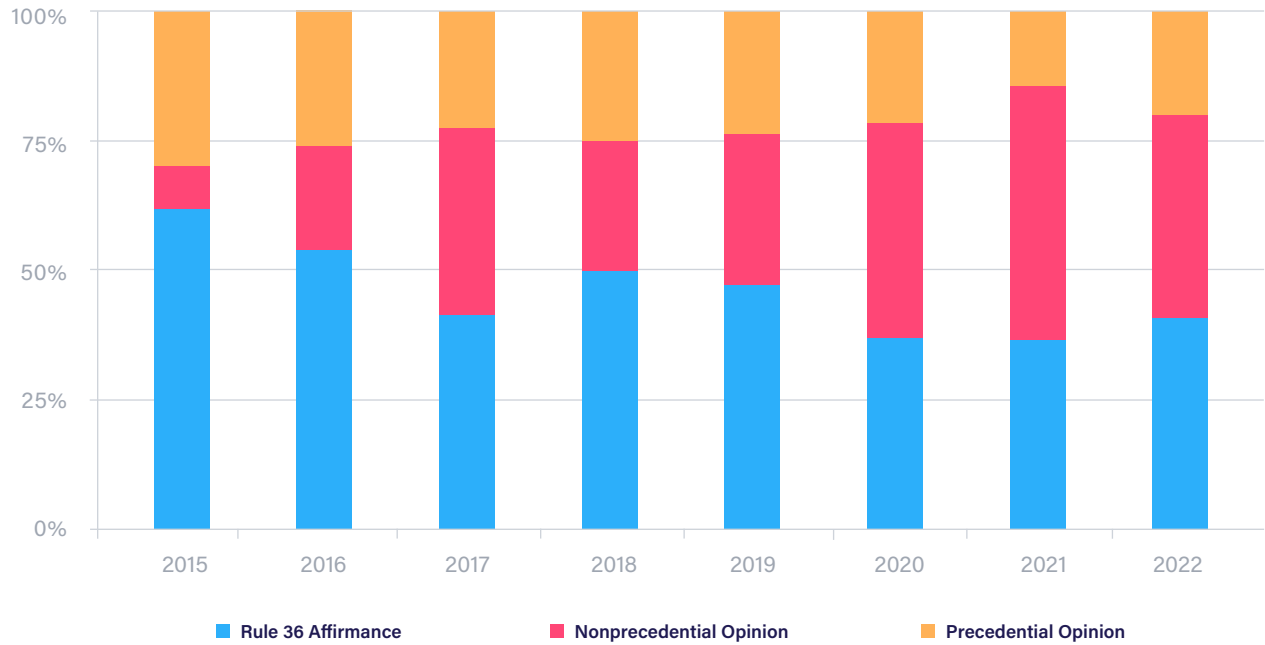
Note: Includes reinstated, cross-, and consolidated appeals.

Average IPR/CBM/PGR Appeal Pendency



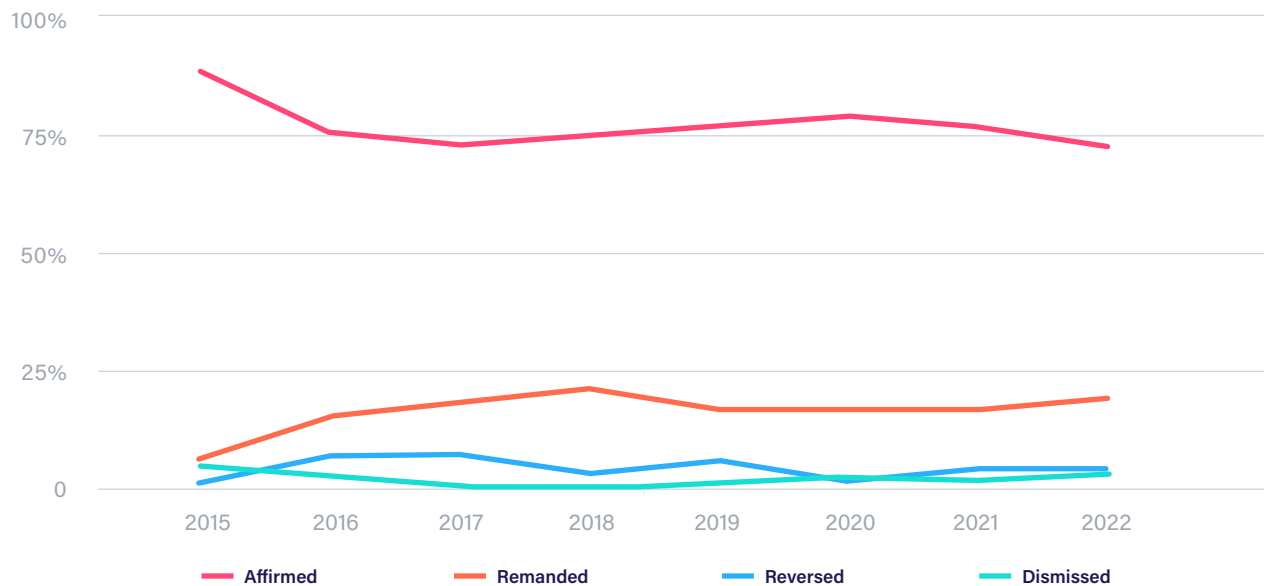
PTAB/AIA appeal pendency from docketing to decision increased on both an average and median basis in 2022. At 16.5 months, average time to decision was nearly two months longer than it was in 2021.

IPR/CBM/PGR Appeal Disposition Types



After the share of non-precedential opinions ballooned in 2020 and 2021, there were greater proportions of Rule 36 affirmances (41%) and precedential opinions (20%) in 2022.

IPR/CBM/PGR Appeal Outcomes



Overall in 2022, 73% of PTAB/AIA decisions were affirmed, 18% were remanded, 5% were reversed, and 3% were dismissed. The affirmance rate has checked in between 73% and 79% each year since 2016.

Chart data on pages 18-19 is sourced from the U.S. Court of Appeals for the Federal Circuit.

***Arthrex, Inc. v. Smith & Nephew, Inc.*, 35 F.4th 1328 (Fed. Cir. 2022) (Moore, Reyna, Chen)**

BY WILLIAM H. MILLIKEN

Smith & Nephew petitioned for IPR of Arthrex’s ‘907 patent, which claims a surgical device with an “eyelet” through which a suture is threaded. Smith & Nephew argued in relevant part that certain claims were anticipated by a published patent application called EIAt-trache. The Board ultimately found the challenged claims unpatentable. Arthrex appealed, challenging the Board’s decision on the merits and arguing that the IPR process was unconstitutional because the Board’s administrative patent judges were principal officers who, under the Constitution’s Appointments Clause, must be appointed by the president with the advice and consent of the Senate.

The case ultimately went to the Supreme Court, which held that, because APJs are not presidentially appointed and Senate confirmed (PAS) officers, they may not issue final decisions on behalf of the Executive Branch. To remedy the constitutional violation, the Supreme Court held that the PTO Director must have the authority to grant rehearing of Board decisions. The court remanded the case “to the Acting Director for him to decide whether to rehear” it.

On remand, Arthrex requested Director rehearing. At the time, the office of the Director was vacant, as was the office of the Deputy Director. Under the applicable regulation, in such a scenario the Director’s duties fall to the Commissioner for Patents. The Commissioner thus considered—and denied—Arthrex’s request for rehearing. Arthrex appealed again on both procedural and substantive grounds.

Procedurally, Arthrex argued that the Commissioner’s denial of its request for Director rehearing violated the Appointments Clause, the Federal Vacancies Reform Act (FVRA), and the Constitution’s separation of powers. The Federal Circuit rejected each of these arguments.

On the Appointments Clause issue, the court rejected Arthrex’s contention that, because the Commissioner

Because “the Appointments Clause allows an inferior officer to temporarily wield the powers of an absent PAS officer,” the Commissioner was constitutionally able to exercise the Director’s review power during “the period in which the Director and Deputy Director offices remained vacant.”

is not a PAS officer, he does not have authority to issue final decisions on behalf of the Executive Branch. The Federal Circuit reasoned that, under the Supreme Court’s 1898 decision in *United States v. Eaton*, “the Appointments Clause allows an inferior officer to temporarily wield the powers of an absent PAS officer.” The Commissioner was thus constitutionally able to exercise the Director’s review power during “the period in which the Director and Deputy Director offices remained vacant.” The court noted that its holding was consistent with the Supreme Court’s earlier remand “to the Acting Director.”

The court next addressed Arthrex’s arguments based on the FVRA, a statute that sets forth certain requirements for appointing individuals to temporarily perform the “functions and duties” of PAS officers. The statute’s plain language, the court concluded, makes clear that it applies only to non-delegable functions and duties. And the court concluded that Director review of Board decisions is a delegable function because “nothing in the Patent Act indicat[es]” otherwise. “That the Appointments Clause requires that a PAS officer have review authority,” the court explained, “does not mean that a principal officer, once bestowed with such authority, cannot delegate it to other agency officers.” Accordingly, the court held that the FVRA was inapplicable.

The court likewise concluded that the Commissioner's exercise of the Director's review power did not violate the separation of powers. The President's "unfettered power" to "remove the Commissioner from his role as the Director's temporary stand-in," the court held, meant that the President retained full ability to take care that the laws be faithfully executed.

As to substance, Arthrex argued that the Board's anticipation finding based on EIAtrache was erroneous because the reference was not prior art. Specifically, Arthrex argued that the '907 patent was entitled to claim priority to the '280 application—whose filing date precedes EIAtrache's publication—through a series of intervening applications. The Board had found otherwise based on its conclusions that (i) the '907 patent claims cover both flexible and rigid eyelets and (ii) the intervening '707 application lacks written description support for the flexible eyelet embodiment and thus severs the chain of priority. While the '707 application incorporates by reference the '280 application—which *does* describe a flexible eyelet—the '707 application "criticize[s]" that configuration. So, the Board concluded, "a skilled artisan would have understood the '707 application to do away with flexible eyelets and require rigid eyelets."

The Federal Circuit affirmed the Board's decision. The Board's determination that the '707 application "require[s]" a rigid eyelet, the court held, was supported by substantial evidence. And the Board's finding that the '707 application's incorporation by reference of the '280 application "did not outweigh" this evidence was not "unreasonable," since "the '707 application denigrates flexible eyelets and exclusively describes alternatives to overcome their disadvantages."

Arthrex also argued that the Board lacked statutory authority to decide whether the '707 application met the written-description requirement because the

scope of an IPR is limited to obviousness and anticipation grounds. The Federal Circuit rejected this argument as well. Smith & Nephew's asserted invalidity ground was anticipation, the Federal Circuit explained, and the Board "needed to determine whether the '707 application satisfied the written description requirement" to analyze that ground. "The Board therefore did not exceed its authority."

RELATED CASES

- *In re Palo Alto Networks, Inc.*, 44 F.4th 1369 (Fed. Cir. 2022) (holding that the Director's policy of refusing to accept requests for Director review of Board decisions denying institution did not violate the Appointments Clause because Director retained the discretion to review such decisions of her own accord).
- *In re Google LLC*, 2022 WL 4283110 (Fed. Cir. Sep. 16, 2022) (granting Director's motion to remand for additional proceedings on the basis that the Board's affirmation of examiner's anticipation rejection was "erroneous").

***Atlanta Gas Light Co. v. Bennett Regulator Guards*, 33 F.4th 1348 (Fed. Cir. 2022) (Newman (dissenting), Lourie, and Stoll)**

BY JON E. WRIGHT

Atlanta Gas petitioned for inter partes review of Bennett's '029 patent. The Board initially rejected Bennett's argument that Atlanta Gas was time barred from petitioning for inter partes review under 35 U.S.C. § 315(b) and instituted review. The Board then determined that the challenged claims were unpatentable over the prior art. On Bennett's appeal to the Federal Circuit, the court disagreed with the Board's time-bar determination and vacated the Board's unpatentability determination. It then remanded the case for the Board to consider a not-yet-finalized sanctions order against Bennett for failing to disclose real parties in interest. *Bennett Regul. Guards, Inc. v. Atlanta Gas Light Co.*, 905 F.3d 1311, 1314–15 (Fed. Cir. 2018) (*Bennett I*).

Because the Federal Circuit's jurisdiction to hear time-bar determinations was, at that time, under review by the Supreme Court, Atlanta Gas sought a grant, vacatur, and remand (GVR) order from the *Bennett I* decision. While the remanded *Bennett I* case was before the Board, the Supreme Court held that time-bar determinations were unreviewable. See *Thryv, Inc v. Click-To-Call Technologies, LP*, 140 S. Ct. 1367 (2020). The court then granted Atlanta Gas' GVR request, and remanded *Bennett I* to the Federal Circuit for consideration on the merits. The Federal Circuit then proceeded to review and affirm the Board's unpatentability decision. The court again remanded the case to the Board to "further consider" its still-unfinalized sanctions order and to "quantify any [monetary] sanctions" against Bennett. *Bennett Regul. Guards, Inc. v. Atlanta Gas Light Co.*, 825 F. App'x 773 (Fed. Cir. 2020) (*Bennett II*).

On remand from *Bennett II*, the Board vacated both its final written decision and its institution decision and terminated Atlanta Gas' IPR. It did so, in part, due to its changed interpretation of the § 315(b) time bar. The Board also changed its mind on sanctioning Bennett, explaining that its termination "most effec-

The Board may always review its institution decisions, even on remanded IPRs. And when it does, § 314(d)'s no-appeal bar prevents Federal Circuit review.

tively resolve[d] the issues on remand by operating as a sufficient sanction while also conforming [its] Decision to current Office policy." This time, Atlanta Gas appealed, arguing that the Board abused its discretion and violated the court's mandate in *Bennett II* when it changed its mind on sanctioning Bennett. The Federal Circuit dismissed Atlanta Gas's appeal for lack of jurisdiction. (*Bennett III*).

The court first considered whether it had jurisdiction to hear Atlanta Gas's appeal from the Board's decision to vacate both its final written decision and institution decision and terminate the IPR. Atlanta Gas argued that the Board's decision was "a final sanctions decision" and thus reviewable under 35 U.S.C. § 1295(a)(4). Bennett countered that the Board's decision was a termination decision under 35 U.S.C. § 314(d) and thus unreviewable under the Supreme Court's decision in *Thryv*. The Federal Circuit recognized that the Board's decision was "multifaceted" and involved both a sanctions issue and an IPR termination. But the court ultimately determined that the decision vacated an institution decision based on, as the Board put it, "a holistic evaluation of multiple considerations." The court viewed the time-bar issue as "central to" and "at the core of" the Board's decision. The court thus concluded that "the Board's decision was [not] a purely sanctions decision over which we ordinarily would have jurisdiction." The court also determined that "[t]he fact that the Board's termination decision occurred on remand from our court does not change our conclusion that we lack jurisdiction." It recognized the Board's "inherent authority to reconsider its decisions" and explained

that, when the Board chooses to vacate an institution decision, “even on remand, § 314(d)’s no-appeal bar makes clear that it is outside of our jurisdiction to review.”

The court then turned to Atlanta Gas’s argument that the Board violated the court’s mandate in *Bennett II*. Under the court’s mandate rule, “only the issues actually decided—those within the scope of the judgment appealed from, minus those explicitly reserved or remanded by the court—are foreclosed from further consideration.” According to Atlanta Gas, the Board’s termination violated the mandate rule by effectively reversing the court’s unpatentability decision, rendering it “merely advisory.” The court agreed that the unpatentability issues were “locked in on remand,” but it disagreed that the decision foreclosed the Board’s ability to reconsider its time-bar decision. The court acknowledged that “the result here is unusual and would be inappropriate in most cases.” But the Board left untouched the court’s decision on patentability, and, in the absence of any “shenanigans,” the Board’s decision to terminate the IPR remained outside the court’s purview on appeal.



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Best Medical Int'l, Inc. v. Elekta Inc., 46 F.4th 1346 (Fed. Cir. 2022) (Hughes, Linn, and Stoll)

BY JON E. WRIGHT

Varian filed two petitions for IPR of BMI's '096 patent, which the Board instituted. Elekta filed copycat petitions and successfully joined Varian's two instituted IPRs. A previously filed, parallel ex parte reexamination on the '096 patent, initiated by Varian, was also ongoing during the IPRs. The reexamination challenged, among others, claims 1 and 18 of the '096 patent. After the two IPRs were instituted, but before the Board's final written decisions, the examiner in the reexamination rejected claim 1 based on statutory and obviousness-type double patenting. Rather than challenging the merits of that rejection, BMI chose to cancel claim 1 "without prejudice or disclaimer." BMI did not file a statutory disclaimer or take any other action to finally revoke claim 1.

The IPRs reached their conclusion before the reexamination. In the first IPR of the '096 patent, which challenged claims 1 and 18, the Board acknowledged BMI's cancellation of claim 1. But since the claim was still pending, it considered the merits of the patentability challenge and determined that the petitioners had proven unpatentability as to claim 1, but not as to claim 18. In the second IPR on the '096 patent, the Board determined that petitioners had proven unpatentability for claims 43, 44, and 46.

After the final IPR decisions, BMI appealed the reexamination to the Board. It did not challenge the merits of the examiner's determination that claim 1 was unpatentable. BMI then appealed both IPR decisions to the Federal Circuit.

On appeal, BMI argued that the Board lacked jurisdiction to decide the patentability of claim 1 because BMI had cancelled claim 1 during the parallel reexamination. On that basis, it asked the Federal Circuit for a "*Munsingwear* vacatur" of the Board's decision in the first IPR. The court declined BMI's request. It found (1) that the Board did not err in ruling on the patentability of claim 1; (2) that *Munsingwear* vacatur was not

Patent owners should proceed with care when there are parallel PTO proceedings lest their actions result in unchallengeable adverse results.

appropriate on the facts; and (3) that it did not have jurisdiction to review the Board's decision on claim 1 for lack of Article III standing.

As to the Board's authority to rule on claim 1, the court noted that BMI's cancellation was "without prejudice or disclaimer," and that claim 1 had not been finally cancelled at that point in the reexamination. The Board thus "reasonably concluded that it was required to address patentability of claim 1 absent any final cancellation." As to the requested *Munsingwear* vacatur, the court explained that the Supreme Court's *Munsingwear* decision "directs courts to vacate the underlying decision in certain appeals that have become moot during their pendency," thereby clearing the way for future relitigation. The court held that *Munsingwear* was "inapplicable here because this appeal did not become moot during the pendency of the appeal." Rather, the 'mooting' event—claim 1 being finally canceled—occurred when BMI noticed its reexamination appeal to the Board without challenging the merits of the Examiner's final rejection of claim 1. And that notice occurred *before* BMI filed its notice of appeal to the Federal Circuit. Finally, as to Article III standing, the court found that BMI lacked standing to appeal the Board's patentability decision as to claim 1. Article III standing requires a "case or controversy" between the parties. BMI's effective cancellation of claim 1 in the reexamination, by noticing an appeal to the Board without challenging the merits of the examiner's final rejection, effectively removed any case or controversy over the patentability of claim 1. BMI's allegation of injury based on collateral estoppel effects in reexamination of a

related patent resulting from the Board's unpatentability determination of claim 1 in the '096 patent was legally unsupported.

A key takeaway on the jurisdictional issues presented here is that patent owners should proceed with care when there are parallel PTO proceedings. Here, BMI's strategic decisions, including the timing of its actions, resulted in an unchallengeable and negative patentability determination on the '096 patent. While not legally sufficient to sustain an Article III jurisdictional challenge, that negative decision could impact further proceedings on related patents.

For claims 43, 44 and 46 in the second IPR, the Federal Circuit proceeded to the merits of the Board's decision. BMI challenged, among other things, a key Board finding regarding the level of skill in the art. Varian argued that the skilled artisan would have had "formal computer programming experience, i.e., designing and writing underlying computer code," and the Board agreed. Because BMI's expert did not have the requisite programming experience, the Board gave their testimony less weight. The Federal Circuit saw no reversible error in the Board's treatment of expert testimony in this case.

While the level of skill in the art is rarely dispositive of patentability, parties nonetheless should pay attention where it could negatively impact the persuasiveness of expert testimony. When possible, the testifying expert should have at least the same level of skill as the proposed person of ordinary skill in the art.

***Intel Corp. v. Qualcomm Inc.*, 21 F.4th 801 (Fed. Cir. 2021) (Prost, Taranto, Hughes)**

BY JON E. WRIGHT

Intel filed three IPR petitions against Qualcomm's '949 patent, which is directed to "boot code" in a multi-processor system. Apple, who was not a party to any of the IPRs, uses Intel's baseband processors in certain iPhone models, and Apple had been sued by Qualcomm for infringement of the '949 patent. So Intel had an interest in invalidating the '949 patent.

After instituting, the Board consolidated the three proceedings. Following a trial on the merits, the Board issued a final written decision invalidating some, but not all, of the challenged claims. Intel appealed and Qualcomm cross-appealed. The Federal Circuit vacated the Board's decision as to the claims the Board found to be not unpatentable and remanded for further proceedings.

The court first addressed whether Intel had Article III standing. Intel's IPRs were motivated by a larger patent dispute between Apple and Qualcomm. But Qualcomm and Apple ultimately settled all litigation between them. As part of the settlement, Apple took a license to Qualcomm's patents, including the '949 patent. Apple then went on to acquire "the majority of Intel's smartphone modem business." After Intel noticed its appeal from its three IPRs, Qualcomm moved to dismiss the appeal, arguing that Intel lacked Article III standing because Qualcomm had not sued or threatened to sue Intel for infringement. Apple moved to intervene. The court denied both motions and directed Qualcomm and Intel to address standing in their merits briefs.

The court found that Intel had Article III standing to maintain its appeal, which requires an actual case or controversy. This is because, according to the court, "Intel has engaged in activity that has already given rise to an infringement suit by Qualcomm" in the form of another suit against a third party where Qualcomm identified an Intel product as the claimed "secondary processor" of the '949 patent. Even though Intel did

"[T]he indefiniteness of a limitation ... precludes a patentability determination only when the indefiniteness renders it logically impossible for the Board to reach such a decision."

not manufacture all of the components required by the claims, the "secondary processor" was central to the claims. The court thus found that Intel's "risks transcend mere conjecture or hypothesis" on the basis of either direct infringement during product testing, or the possibility of indirect infringement based on inducement.

A key takeaway on the Article III standing issue is that the case or controversy requirement is fact intensive. Even though Intel did not make all of the claimed components, the one it did make was central to the invention, and Intel thus faced real infringement risks in the third-party suit.

The court next considered the Board's decision on claims 16 and 17 in the '949 patent, which are written in means-plus-function format. Intel agreed with the Board's suggestion in the institution decision that those claims are indefinite for lack of supporting structure. The Board concluded in the final written decision that Intel's agreement that the claims could not be defined necessarily meant that Intel had not met its burden to demonstrate unpatentability of those terms. On appeal, Intel challenged that merits conclusion.

The court held that the Board's conclusion was error. It explained that "[t]he indefiniteness of a limitation ... precludes a patentability determination only when the indefiniteness renders it logically impossible for the Board to reach such a decision." The court explained that "is not always impossible to adjudicate a prior-art challenge, one way or the other, just because some aspect of a claim renders the claim indefinite." Accordingly, the Board must "decide for itself" on remand "whether the required structure is present in the specification or whether, even if it is not, the absence of such structure precludes resolution of Intel's prior-art challenges."

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- *Managing IP "IP Stars 2022"*

Hunting Titan, Inc. v. DynaEnergetics Europe GmbH, 28 F.4th 1371 (Fed. Cir. 2022) (Prost (concurring), Reyna, Hughes)

BY ANNA G. PHILLIPS

Here, Hunting Titan petitioned for IPR of DynaEnergetics' '422 patent, asserting that the patent was anticipated in light of the Schacherer reference. The Board instituted the IPR and found all original claims unpatentable as anticipated by Schacherer. After institution, DynaEnergetics moved to amend the patent to add substitute claims. Hunting Titan opposed the motion based only on obviousness, not that Schacherer anticipated the proposed substitute claims. Nonetheless, the Board concluded that the original and substitute claims were unpatentable as anticipated by Schacherer and "render[ed] no findings or conclusions as to Hunting Titan's numerous obviousness challenges."

DynaEnergetics requested and was granted PTAB Precedential Opinion Panel review of the question "[u]nder what circumstances and at what time during an inter partes review ... the Board [may] raise a ground of unpatentability that a petitioner did not advance or insufficiently developed against substitute proposed claims in a motion to amend[.]" The Panel vacated the Board's decision denying the motion to amend and granted DynaEnergetics' motion to add the proposed substitute claims.

In addressing DynaEnergetics' motion for rehearing, the Panel concluded that "only under rare circumstances should the need arise for the Board to advance grounds of unpatentability to address proposed substitute claims that the petitioner did not advance, or insufficiently developed, in its opposition to the motion." The Panel believed that the "better approach . . . is to rely on the incentives the adversarial system creates, and expect that the petitioner will usually have an incentive to set forth the reasons why the proposed substitute claims are unpatentable." The Panel went on to describe the "rare circumstances" when the Board should *sua sponte* raise grounds of unpatentability: (1) when a petitioner no longer participates in the IPR proceeding or (2) when

"[O]nly under rare circumstances should the need arise for the Board to advance grounds of unpatentability to address proposed substitute claims that the petitioner did not advance, or insufficiently developed, in its opposition to the motion": (1) when a petitioner no longer participates in the IPR proceeding or (2) when the petitioner does not oppose the motion to amend.

the petitioner does not oppose the motion to amend. The Panel acknowledged that "there may be circumstances where certain evidence of unpatentability has not been raised by the petitioner, but is readily identifiable and persuasive such that the Board should take it up in the interest of supporting the integrity of the patent system, notwithstanding the adversarial nature of the proceedings." An example is "where the record readily and persuasively establishes that the substitute claims are unpatentable for the same reasons that corresponding original claims are unpatentable." These situations, however, are "fact-specific" and the Board has discretion to "address them as they arise."

The Panel concluded that the circumstances of this case did not "qualify as one of the rare circumstances necessitating the Board to advance a ground of unpatentability that Petitioner did not advance or sufficiently develop." The Panel faulted Hunting Titan for making the strategic choice to oppose the motion to amend on grounds of obviousness, not anticipation, and that "an unsuccessful strategy alone does not reflect a failure of the adversarial process here that might otherwise support the Board's decision to exercise its discretion *sua sponte* to raise a new ground of unpatentability."

On appeal, the Federal Circuit first determined that substantial evidence supported the Board's finding that the Schacherer reference anticipated the original claims of the '422 patent. The court then addressed whether the Board had a duty to *sua sponte* determine the patentability of the proposed substitute claims based on the entirety of the record and whether it was legal error for the Panel to vacate the Board's decision to do so.

First, the Federal Circuit clarified its decisions in *Aqua Products, Inc. v. Matal*, 872 F.3d 1290 (Fed. Cir. 2017), and *Nike, Inc. v. Adidas AG*, 955 F.3d 45 (Fed. Cir. 2020), stating that those decisions did not establish an affirmative duty of the Board to raise patentability challenges to proposed substitute claims that were not raised by the petitioner. While the decision in *Nike* clarified that the Board may raise grounds of unpatentability that a petitioner does not set forth, it does not address when the Board *should* do so. This is the question that the Panel answered and the court concluded the Panel "was not itself erroneous" because its decision was not inconsistent with *Aqua Products* or *Nike*.

Second, the Federal Circuit reasoned that, in the case of the '422 patent, the Panel did not preclude the Board from considering the entirety of the record. Rather, the Panel concluded that the evidence of anticipation by Schacherer "was not readily identifiable and persuasive," and the Board should not have considered whether the proposed substitute claims were unpatentable as anticipated by Schacherer. The court, however, acknowledged the "odd" inconsistency between the Panel conclusion that the Schacherer ground of anticipation was not readily identifiable and persuasive even though the Board found the original claims of the '422 patent to be unpatentable as anticipated by Schacherer.

The Federal Circuit also noted the Panel's "problematic" reasoning to confine the Board's discretion to *sua sponte* raise issues of unpatentability to "rare circumstances." The court pointed out that relying on an adversarial system as the basis to confine the Board's ability to independently raise issues of patentability "overlooks the basic purpose of IPR proceedings: to reexamine an earlier agency decision and ensure 'that patent monopolies are kept within their legitimate scope.'"

Notably, the court implied that, had Hunting Titan challenged the Panel decision as an abuse of discretion—i.e., that the Panel misapplied the "readily identifiable evidence exception"—the outcome may have been different. Indeed, Judge Prost's concurrence stated such a challenge "likely would have succeeded." But Hunting Titan failed to do so and therefore it forfeited the abuse of discretion argument.

Continued on page 30.

Accordingly, the court affirmed the Panel's grant of the motion to amend. The court also made clear that it did not determine the patentability of the proposed substitute claims; did not decide whether the Panel abused its discretion in determining that the Schacherer anticipation ground was not readily identifiable and persuasive; did not comment on the Panel's stated limitations on the Board's ability to raise patentability issues that were not advanced by the petitioner and whether those limitations are consistent with 35 U.S.C. § 318; and did not decide whether the Board has an independent duty to determine the patentability of proposed substitute claims in IPRs.

RELATED CASES

- *American Nat'l Mfg. Inc. v. Sleep No. Corp.*, 52 F.4th 1371 (Fed. Cir. 2022) (affirming grant of motion to amend claims when proposed amendments made changes that responded to grounds of unpatentability in the IPR petition and issues not addressed in the petition, reasoning that “[s]o long as a proposed claim amendment does not enlarge the scope of the claims, does not add new matter, and responds to a ground of unpatentability in the proceeding, the patent owner may also make additional amendments to a claim without running afoul of the relevant statutes and regulation”).
- *Cupp Computing AS v. Trend Micro, Inc.*, 53 F.4th 1376 (Fed. Cir. 2022) (holding that the “Board is not required to accept a patent owner’s arguments as disclaimer” in the IPR proceeding in which those statements are made (quoting *VirnetX Inc. v. Mangrove Partners Master Fund, Ltd.*, 778 F. App'x 897 (Fed. Cir. 2019))).

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In re McDonald, 43 F.4th 1340 (Fed. Cir. 2022) (Newman, Stoll, [Cunningham](#))

BY ANNA G. PHILLIPS

In 2008, McDonald filed a patent application for methods and systems related to the display of primary and secondary search results in response to search queries. The examiner rejected McDonald's original application as being directed to patent ineligible subject matter under § 101. To overcome this rejection, McDonald amended the claims to add a "processor" to certain claim limitations. As a result, the examiner withdrew the § 101 rejection and the application issued as the '901 patent. While prosecuting the '901 patent, McDonald filed a continuation application, which ultimately issued as the '111 patent. The claims in the application also recited a "processor" limitation like the limitation added to the '901 patent to overcome the § 101 rejection.

In 2015, McDonald filed a reissue application for the '111 patent, seeking to broaden the claims by amendment. Some of those amendments included deletion of the "processor" limitations. In parallel, McDonald filed a reissue declaration, stating that there is "at least one error in the original patent by reason of the patentee claiming less than he had the right to claim." McDonald pointed to the "processor" limitations as the "error," explaining the "processor" limitations as "unnecessary to the patentability and operability of the inventions."

The Board rejected McDonald's reissue application claims as obvious and on two additional grounds: (1) the reissue claims were based on a defective reissue declaration lacking an error correctable by reissue; and (2) the reissue claims were an attempt to recapture subject matter that was surrendered during prosecution to obtain the original claims. McDonald appealed.

A patentee may seek reissue of a patent if she claimed less than she had the right to claim in the original patent due to error and without deceptive intent. However, the patentee cannot "recapture" subject matter that was surrendered during prosecution of the patent—or

The Federal Circuit determined that the recapture rule applies to amendments made to overcome § 101 rejections.

during the prosecution of related patents—to obtain the original claims. These rules, known as the reissue and recapture rules, strike a balance between the competing interest of allowing a patentee to correct errors of inadequate claim scope with the public interest in relying on a patent's prosecution history.

On appeal, the Federal Circuit held that the prosecution history of the '111 patent family showed that McDonald deliberately added the "processor" limitation to overcome a § 101 rejection and obtain the '901 patent claims. Accordingly, the amendment was not made "through error" and McDonald could not recapture claim scope he intentionally surrendered. See 35 U.S.C. § 251. The recapture rule prohibited McDonald from broadening claim scope by removing the "processor" limitations.

The court further clarified that the public interest in relying on the patent's public record is not limited to subject matter surrendered in light of §§ 102 and 103. The interest also extends to § 101 rejections: "The well-tailored scope of our prior decisions and the fact that many of our prior cases involved prior art rejections do not expressly preclude the application of the recapture rule to amendments made for other reasons."

Finally, the court addressed McDonald's defective declaration, noting that the so-called error could not be rectified by reissue because correcting the error—the alleged uselessness of the "processor" limitation—would violate that recapture rule.

Almirall, LLC v. Amneal Pharmaceuticals LLC, 28 F.4th 265 (Fed. Cir. 2022) **(Lourie, Chen, Cunningham)**

BY R. WILSON "TREY" POWERS III, PH.D.

Almirall's patent claims recite: [a]bout 4% w/w of a polymeric viscosity builder comprising acrylamide/sodium acryloyldimethyl taurate copolymer....

The Board instituted an IPR on the patent, where the primary reference disclosed "between about 0.2% to about 4% by weight" of various gelling agents. However, the primary reference did not disclose the specific claimed gelling agent. Instead, the Board relied on disclosures from secondary references—in two separate unpatentability grounds—for disclosure of the specific claimed gelling agent. Both secondary references also disclosed gelling agents at ranges overlapping the claimed range.

The Board determined that it would have been obvious to substitute the primary reference's gelling agent with the gelling agent disclosed in either of the two secondary references. The Board found that a skilled artisan would have had a good reason to pursue a replacement for the primary reference's gelling agent. For example, the Board credited expert testimony explaining that the primary reference's gelling agent had drawbacks such as grittiness and a propensity for agglomeration which would have been reduced with the secondary references' gelling agent. The Board also determined that a skilled artisan would have had a reasonable expectation of success in making the substitution. The Board found that the disclosed overlapping ranges support the conclusion that a skilled artisan would have expected that swapping one for the other would be successful and would perform the same function in the modified composition.

On appeal, Almirall argued that the gelling agent ranges in the primary reference do not create a presumption of obviousness because the primary reference disclosed a different gelling agent. Almirall argued that the presumption of obviousness regarding overlapping ranges only applies when a single reference discloses all claimed ranges. Almirall also

The court held that the Board's decision set forth factual findings of similarity between the two types of gelling agents that supported the conclusion that each of the primary reference's components encompasses, overlaps, or abuts the ranges recited in the claims.

argued that the Board's factual findings were unsupported by substantial evidence.

The Federal Circuit rejected those arguments. The court held that the Board's decision set forth factual findings of similarity between the two types of gelling agents that supported the conclusion that each of the primary reference's components encompasses, overlaps, or abuts the ranges recited in the claims. The court also noted that the Board found that expert testimony established that a skilled artisan would have been able to immediately appreciate that the two types of gelling agents at issue perform the same function and are interchangeable.

Ultimately, the court found that the case did not depend on overlapping ranges. Instead, the court determined that it was a simple case of substituting one known gelling agent for another. Specifically, each agent "may be effective at a different concentration in different formulations, but that is just a property of the particular known material, subject to conventional experimentation."

RELATED CASES

- *Qualcomm Inc. v. Apple Inc.*, 24 F.4th 1367 (Fed. Cir. 2022) (holding that an applicant's admission of what is in the prior art cannot constitute "prior art consisting of patents or printed publications" within the meaning of 35 U.S.C. § 311(b) and cannot be the basis for a ground in an IPR).
- *LG Electronics Inc. v. Immervision, Inc.*, 39 F.4th 1364 (Fed. Cir. 2022) (holding that a typographical or similar error in a prior art reference cannot be the basis for an invalidating prior art disclosure so long as a skilled artisan would disregard the erroneous information or mentally substitute the correct information).
- *Auris Health, Inc. v. Intuitive Surgical Operations, Inc.*, 32 F.4th 1154 (Fed. Cir. 2022) (vacating and remanding Board decision concluding that there was no motivation to combine because the Board relied only on "generic industry skepticism," as opposed to evidence of skepticism specific to the invention or specific to the asserted combination of references).

***Polaris Innovations Ltd. v. Brent*, 48 F.4th 1365 (Fed. Cir. 2022) (Prost, Chen, Stoll)**

BY JENNIFER MEYER CHAGNON

NVIDIA petitioned for IPR of two patents owned by Polaris. The Board found the challenged claims unpatentable. Polaris appealed. While on appeal, the final written decisions in those IPRs were vacated and the proceedings were remanded to the Board, due to Appointments Clause issues stemming from the Federal Circuit's decision in *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019) (*Arthrex I*).

While the proceedings were on remand, and while the final written decisions stood vacated, the parties filed a joint motion to terminate the proceedings. Before the Board decided the motions, the Supreme Court decided *United States v. Arthrex, Inc.*, 141 S. Ct. 1970 (2021) (*Arthrex II*). Based on this decision, the Supreme Court vacated the Federal Circuit decisions in these proceedings. Thus, the Board's final written decisions were reinstated. After *Arthrex II*, the Federal Circuit remanded the proceedings "for the limited purpose of allowing the parties to seek further action by the Director."

At the Board, Polaris advocated that the Board should grant the parties' pending motion to terminate. The Board issued an order, however, determining that, due to the Supreme Court's decision in *Arthrex II*, the "final written decision in each of these cases is not vacated, and it is not necessary for the Board to issue a new final written decision in either of these cases." Rather, the Board determined "the appropriate course of action on remand ... [wa]s to authorize [Polaris] to request Director review." As the Federal Circuit observed, "[t]his order effectively denied the joint motions to terminate."

On appeal, Polaris argued that the Board erred by not granting the joint motions to terminate. For this issue, the Federal Circuit focused on 35 U.S.C. § 317, which governs settlement of IPRs at the Board. Section 317(a) states: "An inter partes review instituted under this chapter shall be terminated with

It was not arbitrary for the Board to deny untimely motions to terminate, where "the Board had already decided the merits of the cases in final written decisions that were not vacated at the time the Board made its decision" to deny the motions.

respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed.... If no petitioner remains in the inter partes review, the Office may terminate the review or proceed to a final written decision under section 318(a)."

The Federal Circuit determined that 35 U.S.C. § 317 requires the Board to terminate as to any petitioner upon joint request of the parties, so long as the request is timely, i.e., filed before "the Office has decided the merits of the proceeding." But the Federal Circuit also determined that the plain language of the statute grants discretion to the Board to proceed to a final written decision, even if no petitioner remains in the proceeding.

The Federal Circuit held, here, that the motions to terminate were untimely. At the time the motions were filed, the Board had already "decided the merits" of the proceedings by having issued final written decisions over a year earlier. "Although the final written decisions had been vacated for a time period ..., that vacatur itself was vacated by the Supreme Court."

The Federal Circuit also held that it was not arbitrary for the Board to decline to terminate, and instead to continue the IPRs. The court was not persuaded by Polaris's argument that similar motions were granted in other proceedings before the Board. In those other proceedings, the Board considered the motions and terminated the proceedings while the original final written decisions were vacated. The court notes that Polaris did not point to any authority that the Board was required to act on the motions within any particular time frame. And, that the "disparity in timing" is not the sort of arbitrariness that the "arbitrary [and] capricious" standard of 5 U.S.C. § 706(2)(A) is designed to protect against.

The Federal Circuit, thus, affirmed the Board's determination that termination was inappropriate.



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Google LLC v. IPA Technologies Inc., 34 F.4th 1081 (Fed. Cir. 2022) (Dyk, Schall, Taranto)

BY JENNIFER MEYER CHAGNON

Google petitioned for IPR of two patents owned by IPA. Each of the asserted grounds relied on the Martin reference. Martin lists as authors the two inventors of the challenged patents and a third person, Dr. Moran. During prosecution of the applications leading to the challenged patents, IPA successfully contested the prior art status of Martin, submitting declarations to show that Dr. Moran was not a co-inventor of the reference.

In the IPRs, Google argued that Martin was “by others” and therefore available as prior art. In order to decide whether a reference is “by another,” the Board must complete an analysis under *Duncan Parking Techs., Inc. v. IPS Grp., Inc.*, 914 F.3d 1347, 1358 (Fed. Cir. 2019). The *Duncan* analysis is a three-step analysis: (1) determine which portions of the reference were relied on as prior art; (2) evaluate the degree to which those portions were “by another”; and (3) decide whether the other person’s contribution is significant enough to render him a joint inventor. The Board concluded in the final written decisions that Google “ha[d] not provided sufficient support to explain how Dr. Moran’s contribution [wa]s sufficient to establish he [wa]s an inventive entity with respect to the Martin reference by a preponderance of the evidence.” Thus, the Board found that Martin was not prior art to the challenged patents and, therefore, Google had not shown the challenged claims were unpatentable. Google appealed.

On appeal, Google argued that the Board improperly imposed a burden on it to prove that Martin had a different inventive entity than the challenged patents. The Federal Circuit disagreed. Noting the differences between the burdens of production and persuasion, the court determined that, as to the burden of production, both parties had submitted evidence and arguments to support their respective positions. As to the burden of persuasion, the court “s[aw] no error with the Board’s requiring that Google establish the Martin reference was prior art ‘by another’ by showing that

Dr. Moran made a significant enough contribution to the portions relied on to invalidate the challenged patents to qualify as a joint inventor of those portions.”

Turning to the question of whether Google had met this burden, the court faulted the Board for “not complet[ing] the full *Duncan* analysis.” The Board had before it testimonial evidence from Dr. Moran and from the other named inventors of the challenged patents. The Board concluded that Dr. Moran’s testimony was not sufficiently corroborated. But the Federal Circuit found sufficient evidence on the record to corroborate the testimony, including the fact of his being named as a co-author on Martin, his role within the overall project, another inventor’s acknowledgement of Dr. Moran’s technical contributions to the project, and Dr. Moran’s being a named inventor on a related patent.

The court noted that Dr. Moran’s testimony, “if credited, might well establish that he was a coinventor of the particular portions of the Martin reference relied on by Google.” The Federal Circuit determined that “[t]he issue in this case was not lack of corroboration for Dr. Moran’s testimony, but rather whether his testimony should ultimately be credited over [the named inventors’] conflicting testimony during the IPR proceedings.” The court held that the “Board was required to resolve this highly relevant evidentiary conflict and make appropriate findings of fact.” The Federal Circuit vacated and remanded the Board’s decision, due to this “fail[ure] to resolve fundamental testimonial conflicts in concluding that the relied-upon reference was not prior art.”

RELATED CASE

- *Provisur Technologies, Inc. v. Weber, Inc.*, 50 F.4th 117 (Fed. Cir. 2022) (holding that the Board’s mischaracterization of and failure to address Patent Owner’s argument precludes meaningful appellate review, and therefore it violates the APA).

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