

# Federal Circuit pushes back on procedural issues

The Federal Circuit is not afraid to call to task the Patent Trial and Appeal Board when it comes to potential procedural breaches. **Justin Oliver** and **Kathryn Easterling** review relevant cases

**W**hile often affirming the Patent Trial and Appeal Board's (PTAB) substantive decisions on patentability in *inter partes* review (IPR) proceedings, the Court of Appeals for the Federal Circuit has not hesitated to push back on important procedural issues. Most notably, the Federal Circuit has admonished failures to provide adequate notice to parties concerning the ultimate substantive bases for the PTAB's patentability rulings.

The Administrative Procedure Act (APA) imposes a notice requirement on all executive branch agencies. Under 5 USC § 554(b)(3), "[p]ersons entitled to notice... shall be timely informed of... the matters of fact and law asserted." In particular, §§ 554(c) and 556(d) require an agency to "give all interested parties opportunity for the submission and consideration of facts [and] arguments," and "to submit rebuttal evidence... as may be required for a full and true disclosure of the facts." In some instances in 2016, the Federal Circuit found that the PTAB's final decision deprived a party to adequate notice under the APA. These decisions, detailed below, could have an impact on the manner in which the PTAB decides cases.

## Dell v Acceleron

In *Dell v Acceleron*,<sup>1</sup> petitioner Dell raised an argument for the first time in oral argument. The PTAB relied exclusively on this new argument when it cancelled one of Acceleron's patent claims. Acceleron appealed. The Federal Circuit vacated and remanded the cancellation, finding that cancelling a claim based on an assertion first raised during oral argument does not satisfy the PTAB's obligation to provide notice and a fair opportunity to rebut the ground for unpatentability. "Reflecting those fundamental requirements [of the APA], the PTO has advised participants in its Board proceedings that, at oral argument,<sup>2</sup> '[a] party ... may only present arguments relied upon in the papers previously submitted. No new evidence or arguments may be presented at the oral argument.'" This ruling highlights that the PTAB is not just ruling on patentability outright, but is deciding whether the petitioner

established unpatentability in the manner prescribed.

## In re NuVasive

In *re NuVasive*<sup>3</sup> involved two IPRs – IPR2013-00507 and IPR2013-00508. In finding many challenged claims obvious, the PTAB relied on a particular structure in a figure of a prior art reference. However, the figure at issue was not identified as a basis for unpatentability in the '508 IPR until after NuVasive's response to the original petition. The figure was timely referenced in the '507 IPR. On appeal, NuVasive argued that it did not receive adequate opportunity to address the argument.

The Federal Circuit agreed in the '508 IPR, and reversed and remanded. Relying on the notice requirement of the APA, the court stated that "[t]he Director has furnished no persuasive basis on which we are prepared to hold that a (barely sufficient) notice in one proceeding constituted an obligation-triggering notice in the other proceeding."<sup>4</sup> In particular, "the opportunity to file observations [on cross-examination] was not enough. 'Observations' are not a vehicle for submitting new evidence, including new expert declarations, by the patent owner. Indeed, the permitted content and format of observations are tightly circumscribed."<sup>5</sup> Thus, the Federal Circuit acknowledged that the notice requirement should afford a party the opportunity to provide rebuttal evidence.

## SAS v ComplementSoft

In *SAS v ComplementSoft*,<sup>6</sup> the PTAB found all but one of the claims under review to be unpatentable. In its final written decision, the PTAB used a "slightly modified version" of its earlier claim constructions to find the one claim to be patentable. The adjusted claim construction involved terms different than those disputed by the parties.

On appeal, while not disputing claim construction, the circuit concluded that the new construction did not prejudice SAS, the petitioner. Again relying upon the APA, the Federal Circuit reasoned that the PTAB cannot "surprise" a party with a new construction, stating "[w]hat concerns us is not that the Board adopted a construction in its final written

decision, as the Board is free to do, but that the Board 'change[d] theories in midstream.'"<sup>7</sup> "It is difficult to imagine either party anticipating that already interpreted terms were actually moving targets, and it is thus unreasonable to expect that they would have briefed... hypothetical constructions not asserted by their opponent."<sup>8</sup>

## Summary

While in some respects the rulings relying upon the notice requirement of the APA can be deemed 'procedural,' the decisions may have significant substantive ramifications. Given the tight timeframe for decisions in IPRs and the structure of the proceedings, the notice requirement may hinder the PTAB's ability to inject its own views in the final decision, instead limiting the rulings to determinations on which party met its burden of proof. This may put more pressure on petitioners to construct a thorough basis for unpatentability at the early stages of the proceedings.

## Footnotes

1. 818 F.3d 1293 (Fed Cir 2016).
2. Id at 1301.
3. *In re NuVasive*, 841 F.3d 966 (Fed Cir 2016).
4. Id at 972.
5. Id at 973.
6. 825 F.3d 1341 (Fed Cir 2016).
7. Id at 1351.
8. Id.

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