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There Are Restraints on the PTAB in Post-Grant Trials

The Federal Circuit's opinions in two cases indicate that there are restraints on how the PTAB may reach a final decision in a post-grant trial.

IN TWO RECENT CASES, THE FEDERAL CIRCUIT reversed parts of decisions by the Patent Trial and Appeal Board (PTAB). The Federal Circuit's opinions in these cases indicate that there are restraints on how the PTAB may reach a final decision in a post-grant trial.

In *Magnum Oil Tools*, the Federal Circuit found that the PTAB had erred both by deciding that a combination of art rendered the challenged claims obvious and by holding that there was a burden on the patent owner to show that its claims were patentable over the art.

In its institution decision, the PTAB had found that the petitioner established a reasonable likelihood of success based on a primary reference ("Lehr") in

combination with two other references. But the PTAB declined to also institute the trial on the basis of a second primary reference ("Alpha") in combination with the two other references. The trial then proceeded, with the PTAB ultimately issuing a final written decision holding that all of the challenged claims were unpatentable.

The Federal Circuit found, however, that the record failed to establish a sufficient rationale

for why a skilled artisan would have sought to combine the asserted prior art. The Court in *In re Magnum Oil Tools Int'l, LTD* noted that the original petition had merely referred to arguments based on the Alpha reference to its obviousness analysis with the Lehr reference, even though the Alpha and Lehr references were fundamentally different.

As such, the Federal Circuit found that the petition did not explain why borrowing the rationale for combining the secondary references with the Alpha reference equally applied to combining the secondary references with the Lehr

reference. And the Court was not persuaded by the PTO's argument that the PTAB was free to adopt arguments based on the *Lehr* combination of references because such arguments could have been included in a properly-drafted petition.

Rather, the Federal Circuit noted that "while the PTO has broad authority to establish procedures for revisiting earlier-granted patents in IPRs, that authority is not so broad that it allows the PTO to raise, address, and decide unpatentability theories never presented by the petitioner and not supported by record evidence." The Federal Circuit still further found that PTAB had improperly shifted the burden to the patent owner to produce evidence that the claimed invention would not have been obvious in view of the *Lehr* combination of references, noting that "it is inappropriate to shift the burden to the patentee after institution to prove that the patent is patentable."

In *SAS Institute Inc. v. Complementarysoft LLC*, the Federal Circuit found that the PTAB's

procedure for arriving at a claim construction was flawed. In its institution decision in this case, the PTAB had construed certain claim terminology one way. But in its final written decision, the PTAB construed the same claim terminology differently. Notably, the PTAB's original construction had not been disputed by either of the parties during the course of the trial.

The Federal Circuit found that setting forth a new claim construction in a final written decision was an error on the part of the PTAB. The Court noted that post-grant proceedings are formal administrative adjudications subject to the procedural requirements of the Administrative Procedures Act ("APA"). And under the APA, the PTAB could not "change theories midstream" without giving the parties an opportunity to present argument under the new theory.

Both patent owners and patent challengers should be mindful of the restraints placed on the PTAB as set forth by the Federal Circuit in the *Magnum*

Oil Tools and *SAS Institute* cases. The *Magnum Oil Tools* case emphasizes that the burden will be on the petitioner to fully articulate in its petition why the claims are unpatentable—the PTAB will not be able to later fill in the gaps for the petitioner.

The *SAS Institute* case indicates that a determination made by the PTAB in instituting the trial, such as a claim construction, cannot later be changed by the PTAB without at least giving the parties an opportunity to respond to the change. Together, these cases emphasize that restraints on how PTAB may arrive at a final decision start at the beginning of the trial, and the parties should be observant that the restraints are ultimately followed.

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