

A Look At 2014 Fed. Circ. Cases Impacting AIA Proceedings

Law360, New York (December 16, 2014, 10:00 AM ET) -- Since the passage of the America Invents Act, there has been a flood of interest in contested proceedings before the U.S. Patent and Trademark Office, including inter partes review, covered business method review and post-grant review. The first wave of appeals from the PTO's final written decisions in these types of proceedings are just starting to reach the Federal Circuit, so review of such decisions to date has been limited. The Federal Circuit did, however, issue several opinions in 2014 that are important to practitioners in this area.

Interpretation of Functional Limitations Under the "Broadest Reasonable Interpretation" Standard

In *In re Giannelli*,^[1] the Federal Circuit addressed the interpretation of functional limitations in a claim during PTO proceedings, where the "broadest reasonable interpretation" standard for claim construction applies. Raymond Giannelli's application claimed an exercising rowing machine that required handles "adapted" to be pulled in a rowing motion. The Patent Trial and Appeal Board affirmed an obviousness rejection based on a prior art chest press with handles designed to be pushed because it found that the handles were nonetheless "capable" of being pulled. The Federal Circuit, however, reversed. Because the specification made clear that "adapted" called for handles actually designed to be pulled in a rowing motion, the court concluded that the board erred in relying on capability alone to establish a prima facie case of obviousness.

The court also found error in the board's failure to go beyond its finding that the chest press could be modified to arrive at the claims, to address whether it was obvious to undertake such modification. The court reiterated that, to establish a prima facie case of obviousness, the board must articulate why or how a person of ordinary skill in the art would modify the prior art to arrive at the claims.

In re Giannelli thus provides a helpful reminder for practitioners that functional limitations such as "adapted" or "configured" may require more than mere capability even under the broadest reasonable interpretation standard used at the PTO. Faced with prior art that is capable of performing a function but does not explicitly disclose the claimed functionality, parties taking advantage of AIA review proceedings should make sure to point to a motivation to provide the claimed functionality to establish a prima facie case of obviousness.

Reference Missing a Few Pages May Still Support an Invalidity Challenge

In *In re Enhanced Security Research*,^[2] the Federal Circuit approved the board's reliance on incomplete prior art references in some circumstances. In that case, the court found that a software manual missing a few pages could be considered as prior art for purposes of patentability because there was no indication that the missing pages were necessary to understand, or otherwise contradicted, the portions relied upon by the board.

In dissent, Judge Kathleen O'Malley argued that the manual should not have been considered absent an explanation by the party providing the reference as to why it was incomplete. In her view, the patentee was unfairly deprived of the opportunity to assess the relevance of the missing material and the offeror, who had created the manual and was the party who requested re-examination, was in the best position to provide the omitted information or explain its immateriality.

This decision may enlarge the pool of prior art that third parties may use when challenging patents under AIA review procedures. In addition to traditional prior art sources such as patents and publications, requestors now know that they may also rely on references that have not been preserved in their entirety, as long as there is no indication that any missing material is necessary to understand, or teaches away from, the content relied upon. Of course, even though incomplete references may be permitted in some circumstances, practitioners must keep in mind the duty to disclose information inconsistent with any

position advanced during AIA review proceedings.

Institution Decisions Are Not Appealable, and Not Every Requestor May Appeal

The Federal Circuit also issued several opinions in 2014 addressing the reviewability of board decisions. First, in a trio of appeals, the court held that board decisions whether to institute IPR proceedings are not reviewable by the court, either as a regular appeal or by petition of writ of mandamus. Specifically, in St. Jude Medical v. Volcano Corp.,^[3] the court explained that the AIA precludes Federal Circuit review of institution decisions by limiting the right to appeal to final written decisions regarding patentability. While the court declined to decide whether the AIA also precludes review by a district court, it found that it does rule out appeals to the Federal Circuit by way of mandamus petitions. This includes petitions by the requestor (as in In re Dominion Dealer Solutions LLC^[4]) and by the patentee (as in In re Procter & Gamble Co.)^[5] The court left open the question of whether institution decisions may be reviewed as part of an appeal from a final written decision.

The Federal Circuit also clarified who may appeal an unfavorable final decision by the PTO. In Consumer Watchdog v. Wisconsin Alumni Research,^[6] the court dismissed an appeal by a nonprofit organization that had requested re-examination but was unsuccessful in obtaining cancellation of the challenged patent claims. The court held that the right to appeal provided in the re-examination statute does not eliminate Article III's requirement of an "injury in fact." Consumer Watchdog did not present a justiciable controversy because it was not involved in any research or commercial activities hampered by the challenged patent, and had only alleged a general grievance on behalf of taxpayers. Although this decision arose out of reexamination, its holding might also apply in the context of inter partes and post-grant reviews, given that any "person who is not the owner of a patent"^[7] may file an IPR or PGR petition to review that patent.

These decisions may inform strategic considerations when evaluating whether to challenge a patent through IPR or PGR. Parties who might lack Article III standing may wish to defer bringing a PTO proceeding in favor of parties who have such standing. If institution is successfully obtained, challengers now know that patent owners are in for the long haul and might not get a chance to challenge the institution decision until the proceedings are complete and a final written decision is issued.

Amended Claims May Not Allow a Second Bite at the Apple

In Senju Pharmaceutical Co. v. Apotex Inc.,^[8] the Federal Circuit considered the effect of claim preclusion on claims amended during PTO proceedings. In Senju, the court held that claim preclusion barred a patent owner from asserting claims amended or added during reexamination in a subsequent lawsuit against the same party and the same products. In the first litigation, the relevant claims had been found invalid, and in the interim between the finding of invalidity and entry of final judgment, Senju had sought and obtained a favorable patentability decision on re-examination by amending some claims and adding new claims with similar limitations. Prior to the entry of final judgment of invalidity of the original claims, Senju filed a second lawsuit asserting the reexamined claims. The district court dismissed the suit on res judicata grounds.

The Federal Circuit affirmed, rejecting Senju's argument that the reexamined claims created a new cause of action because, being narrower and presumably valid, they gave Senju rights it did not previously possess. Based on the statutory prohibition against broadening amendments, the court found that the re-examined claims were necessarily subsumed within the rights that were asserted or could have been asserted in the first litigation. Judge O'Malley dissented on the grounds that the district court should have assessed whether the re-examined claims were substantially the same as the original claims. In her view, if the reexamined claims were not substantially the same, reexamination gave Senju "new rights" (i.e., presumably valid narrower claims) that could not have been asserted in the prior litigation.

While Senju involved claims amended during re-examination, its holding may be applicable to

amendments made during AIA contested proceedings, given that amendments in this context are also subject to a statutory prohibition against broadening amendments. The ability to move to amend claims during contested review proceedings provides a convenient mechanism to overcome potentially invalidating prior art that could have otherwise resulted in invalidation in district court or the PTO. However, practitioners must keep in mind that earlier litigation involving the same patent, same parties and same products may preclude assertion of newly amended claims even though they did not exist in their amended form when that litigation occurred. This may provide a further incentive to agree to stay litigation pending the outcome of review proceedings to avoid a final decision that may have a preclusive effect.

District Courts May Not Second-Guess the Board's Institution Decisions When Ruling on Motions to Stay

One more decision that may be of interest to those considering whether to initiate contested proceedings before the Board is *VirtualAgility Inc. v. Salesforce.com Inc.*,^[9] where the Federal Circuit reversed a denial of a motion to stay pending CBM review. Without deciding the applicable standard of review, a panel majority found that the district court erred as a matter of law by denying a stay partly on the basis of its disagreement with the board's decision to institute review. In the court's view, allowing district courts to second-guess the board's patentability determinations, even at the institution stage, amounts to an improper collateral attack. Judge Pauline Newman dissented on the grounds that no abuse was shown of the district court's discretion to deny stay.

The Federal Circuit also noted that, where all claims are under review, the potential simplification of the issues weighs heavily in favor of stay. Additionally, the court clarified that it is not error for a district court to wait for an institution decision before deciding a motion to stay. But in evaluating whether the stage of the litigation favors stay, the relevant stage is generally the time when the motion is filed, not when it is decided.

Thus, while a decision to stay litigation pending contested proceedings before the board remains within the discretion of district courts, challengers can expect district courts to avoid delving into the merits of the board's decision to institute review. Patent owners can expect that opposing a motion to stay on grounds related to their opponent's likelihood of success at the PTO may no longer be a successful strategy. Also, practitioners can anticipate that motions to stay may be granted more easily when all claims are under review and the motion to stay is filed early in the litigation.

—By Russell Cass and Raquel Rodriguez, [Sidley Austin LLP](#)

Russell Cass is a partner and Raquel Rodriguez is an associate in Sidley Austin's Chicago office.

The opinions expressed are those of the author(s) and do not necessarily reflect the views of the firm, its clients, or Portfolio Media Inc., or any of its or their respective affiliates. This article is for general information purposes and is not intended to be and should not be taken as legal advice.

[1] *In re Giannelli*, 739 F.3d 1375 (Fed. Cir. 2014).

[2] *In re Enhanced Sec. Research LLC*, 739 F.3d 1347 (Fed. Cir. 2014).

[3] *St. Jude Med., Cardiology Div. Inc. v. Volcano Corp.*, 749 F.3d 1373 (Fed. Cir. 2014).

[4] *In re Dominion Dealer Solutions LLC*, 749 F.3d 1379 (Fed. Cir. 2014).

[5] *In re Procter & Gamble Co.*, 749 F.3d 1376 (Fed. Cir. 2014).

[6] *Consumer Watchdog v. Wisconsin Alumni Research Found.*, 753 F.3d 1258 (Fed. Cir. 2014).

[7] 35 U.S.C. §§ 311(a), 321(a).

[8] *Senju Pharm. Co. v. Apotex Inc.*, 746 F.3d 1344 (Fed. Cir. 2014).

[9] *VirtualAgility Inc. v. Salesforce.com Inc.*, 759 F.3d 1307 (Fed. Cir. 2014).

All Content © 2003-2014, Portfolio Media, Inc.