

THE PTAB REVIEW

May 2019

What to Do When a Federal Circuit Mandate Conflicts with Supreme Court Precedent?

Say the Federal Circuit did not mean what it said. That is at least what the Patent Trial and Appeal Board (PTAB) decided to do in a recent decision it issued on remand from the Federal Circuit after the precedent-setting decision in *MaxLinear, Inc. v. CF CRESPE LLC*.¹

In *MaxLinear*, a unanimous Federal Circuit panel held that “the preclusive effect of the prior adjudications” by the board in another *inter partes* review (IPR) by a different petitioner using different art against the same patent, and the Federal Circuit’s affirmations of those decisions, “has finally resolved the issue of the unpatentability of independent claims 1 and 17 and dependent claim 20 in this proceeding.”² The court thus concluded that “the sole remaining question at issue is whether the dependent claims 4, 6-9, and 21, not addressed in the earlier IPR, are unpatentable.”³

The court vacated the board’s decision finding the challenged claims patentable and remanded for further consideration. The court noted that the board decision upholding claims 4, 6-9, and 21 “rested entirely on their conclusion that claim 1 and 17 were not unpatentable and contained no separate analysis or discussion of the dependent claims.”⁴ The board decision regarding the dependent claims thus could not stand because “the holding of unpatentability of claims 1 and 17 in the ‘728 IPR, and the affirmance by our court, abrogates the basis for the board’s decision.”⁵

The court identified the rule of law and provided detailed instructions for applying it on remand. The law to be applied was that “the collateral-estoppel effect of an administrative decision of unpatentability generally requires invalidation of related claims that present identical issues of patentability,” even if the claims are not “identical” so long as “the differences between the unadjudicated patent claims and adjudicated patent claims do not materially alter the question of invalidity[.]”⁶ The court was fully aware that the prior IPRs cited “different prior art” than the prior art in the IPR at issue.⁷ The court’s detailed remand instructions thus declared that the focus of the board’s inquiry on remand was to be whether the remaining claims were patentably distinct from claims 1 and 17, not whether the art asserted in the present IPR was the same as in the prior IPR:

On remand, the Board must consider whether the dependent claims 4, 6-9, and 21 can survive the unpatentability of claims 1 and 17 from which they depend **in view of the prior art cited in the ‘728 IPR**. The Board must decide whether the remaining claims present materially different issues that alter the question of patentability, making them patentably distinct from claims 1 and 17. Remand of these claims will allow the Board to evaluate CRESPE’s argument concerning the surviving claims and allow the Board to consider the dependent claims in light of the unpatentability of claims 1 and 17.⁸

Three months after the Federal Circuit issued its decision in *MaxLinear*, the U.S. Supreme Court issued a decision in *SAS Institute, Inc. v. Iancu*.⁹ It held that when the U.S. Patent and Trademark Office (USPTO) initiates an IPR, it must resolve all of the claims challenged in the case and may not choose to limit its review to only some of them.¹⁰ The court also rejected the director’s argument that the director has discretion to decide which claims make it into an IPR, concluding that the statute “doesn’t authorize the director to start proceedings on his own initiative” or to “initiate whatever kind of *inter partes* review he might choose.”¹¹ The court reasoned that “Congress chose to structure a process in which it’s the petitioner,

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¹ 880 F.3d 1373 (Fed. Cir. 2019).

² *Id.* at 1377.

³ *Id.*

⁴ *Id.*

⁵ *Id.*

⁶ *Id.* (quoting *Ohio Willow Wood Co. v. Alps South, LLC*, 735 F.3d 1333, 1342 (Fed. Cir. 2013)).

⁷ *Id.* at 1375.

⁸ *Id.* at 1377-78 (emphasis added).

⁹ 138 S. Ct. 1348 (2018).

¹⁰ *Id.* at 1353.

¹¹ *Id.* at 1355.

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not the director, who gets to define the contours of the proceeding,” and it is the petitioner’s contentions that “define the scope of the litigation all the way from institution through to conclusion.”¹²

On remand in *MaxLinear*, the board undertook to comply with *SAS* by addressing all 21 claims challenged in the petition, including those against which it had previously denied institution.¹³ The board “summarily” held that claims 1-3, 5, and 10-20 are unpatentable.¹⁴ To support this holding, the board first quoted the Federal Circuit’s language from the *MaxLinear* appeal that the parties had agreed the prior adjudications were binding in this proceeding “as a matter of collateral estoppel.”¹⁵ The board then stated that “[t]he Federal Circuit’s decision holding these claims unpatentable is also binding in this proceeding regardless of collateral estoppel: These claims have already been finally adjudicated as unpatentable.”¹⁶ The board did not identify what doctrine other than collateral estoppel it relied upon as its second rationale for summarily holding the claims unpatentable.

The board denied the petitioner’s request to brief whether claims 6, 7, and 20 materially alter the unpatentability analysis on which the prior IPRs rested.¹⁷ The board argued that the Federal Circuit’s order did not order the board and the parties to start over from scratch with new prior art from the prior IPR.¹⁸ The board acknowledged that “the Federal Circuit includes language in its remand order that might be construed as suggesting applying different prior art in the latter analysis,” but concluded that *SAS* limits the scope of the present IPR to “the prior art and the arguments in the petition here.”¹⁹ The board thus “limited [its] analysis herein to the arguments that have support in the petition.”²⁰

In performing its patentability analysis for claims 6, 7, and 20, the board used claim 17, a claim already found unpatentable, as its representative claim. Claim 17 requires, among other things, a “demodulating” step.²¹ The board’s decision turned on its finding that the petitioner had not shown that a POSA would combine the teachings of petitioner’s primary reference with the teachings of petitioner’s secondary reference regarding demodulators.²² The board found the claims patentable over the art asserted in the petition based on the unpredictability in the art and because the examiner had considered a very similar combination of art during prosecution.²³ The board never compared the challenged dependent claims to the claims already found unpatentable or identified any patentable distinction between them.

Failing to follow the remand instructions from an agency’s reviewing court is certainly a bold move. *Black’s Law Dictionary* explains that, under the mandate rule, a lower court “must follow the decision that the appellate court has made in the case, unless new evidence or an intervening change in the law dictates a different result.” Rather than evaluate and explain whether *SAS* truly dictates departing from the Federal Circuit’s remand instructions, the board described the court’s extensive instructions as “limited,” and failed to compare the challenged claims to the independent claims previously held unpatentable.²⁴ The board also curiously argued that it complied with the Federal Circuit’s instruction regarding collateral estoppel by analyzing the patentability of the challenged claims “independent of any conclusion previously reached with respect to independent claims 1 and 17.”²⁵ But evaluating patentability independent of the patentability of claims 1 and 17 without analyzing patentable distinction is precisely the opposite of what the Federal Circuit ordered the board to do.

One might conclude the board thought itself stuck with no choice but to ignore one court order in favor of its view of how a superior court would view that order. This conflict was arguably unnecessary. Nothing in *SAS* prohibits the board from evaluating whether the remaining challenged claims are patentably distinct from claims 1 and 17, as the Federal Circuit ordered the board to do. If the board concluded the claims are not patentably distinct, nothing in *SAS* prevents the board from declaring, “summarily,” that the claims are unpatentable, just as it did with the claims the Federal Circuit had already held unpatentable.²⁶

On the other hand, if the board determined that the claims are patentably distinct, nothing in the Federal Circuit’s order prohibited the board from evaluating the remaining challenged claims as a whole in view of the grounds asserted in the petition. The board could have noted the failure of the asserted art to disclose or render obvious the elements newly recited in each dependent claim in combination with all of the elements incorporated from the independent claim. The board still could have noted that it viewed itself as powerless under *SAS* to modify the petition’s grounds to include the art from the prior IPR. It then could have left it to the Federal Circuit to evaluate its findings of fact and conclusions of law upon appellate review.

Regardless of the propriety of the board’s actions, this case demonstrates how at least some members of the board understand collateral estoppel to apply in IPRs. They appeared reluctant to apply it beyond the actual claims that have already been expressly held unpatentable or even to admit

¹² *Id.* at 1355, 1357.

¹³ *MaxLinear, Inc. v. Cresta Tech. Corp. and CF CRESPE LLC, IPR2015-00592*, Paper 87, at 6 (April 17, 2019).

¹⁴ *Id.* at 21.

¹⁵ *Id.* at 25.

¹⁶ *Id.*

¹⁷ *Id.* at 36.

¹⁸ *Id.*

¹⁹ *Id.* at 37.

²⁰ *Id.* at 35.

²¹ *Id.* at 25.

²² *Id.* at 25.

²³ *Id.* at 32-34.

²⁴ *Id.* at 37.

²⁵ *Id.*

²⁶ *Id.* at 21.

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that collateral estoppel is the doctrine that drove that outcome. At the same time, the board appeared to recognize it will have to comply with court orders issued to it by its reviewing court; at least unless it thinks those orders would be overturned at the Supreme Court. Time will tell whether SAS truly prohibits claims challenged in an IPR from being found unpatentable based on collateral estoppel when the claims are not patentably distinct from claims already found to be unpatentable.

You Think You've Been Busy? The PTAB Designated 14 Decisions Precedential or Informative Since March

In a dramatic increase in pace, the PTAB designated what is perhaps an unprecedented number of nine precedential decisions and three informative decisions in March and April 2019. The decisions touch on issues ranging from real parties-in-interest, rehearing requests, motions to amend, final oral hearings, same party joinder, discretionary denial of institution, and patent eligibility.

Here is a brief summary of each precedential decision:

- In *Valve Corp. v. Electronic Scripting Products, Inc.*,²⁷ the board held that discretionary denial of institution under 35 U.S.C. § 314 and the *General Plastic* factors is not limited to situations where the serial petitions are filed by the same petitioner.
- In *NHK Spring Co., Ltd v. Intri-Plex Techs. Inc.*,²⁸ the board held that discretionary denial of institution under 35 U.S.C. § 314 was warranted where the parties' district court proceeding on the same patent would resolve identical patentability arguments six months before the IPR could be completed.
- In *Adello Biologics LLC v. Amgen Inc.*,²⁹ the board held that it has discretion to permit petitioners to update mandatory notices before institution to add a real party-in-interest without altering the petition filing date so long as the added real party-in-interest is not time-barred.
- In *Proppant Express Investments, LLC v. Oren Techs., LLC*,³⁰ the board held that it has discretion to permit petitioners to update mandatory notices after institution to add a real party-in-interest without altering the petition filing date so long as the added real party-in-interest is not time-barred.
- In *Ventex Co., Ltd. v. Columbia Sportswear N. Am., Inc.*,³¹ the board held a petitioner failed to satisfy its burden of demonstrating its petitions were not time-barred under 35 U.S.C. § 315(b) where the petitioner had an exclusive supplier-customer relationship involving indemnification arrangements with a time-barred party and was serving as its proxy in the IPR as evidenced by unexplained payments corresponding to costs of litigating the IPR.
- In *Huawei Device Co., Ltd. v. Optis Cellular Tech., LLC*,³² the board reiterated that evidence not already of record at the time of decision will not be considered for rehearing absent a showing of good cause.
- In *Amazon.com, Inc. v. Uniloc Luxembourg S.A.*,³³ the board determined that 35 U.S.C. § 311(b) does not preclude a petitioner from raising or the board from considering non-prior art grounds of unpatentability, including 101, as to proposed substitute claims in the context of a motion to amend.
- In *K-40 Electronics, LLC v. Escort, Inc.*,³⁴ the board provides factors for considering whether to permit live testimony, including whether the testimony could be dispositive to the case and whether the witness is a fact witness where credibility about perception or memory may be at issue.
- In *DePuy Synthes Products, Inc. v. MEDIDEA, L.L.C.*,³⁵ the board determined that the testimony of an inventor at the oral hearing is new evidence

²⁷ IPR2019-00062, Paper 13 (designated May 7, 2019).

²⁸ IPR2018-00752, Paper 8 (designated May 7, 2019).

²⁹ PGR2019-00001, Paper 11 (designated April 16, 2019).

³⁰ IPR2017-01917, Paper 86 (designated April 16, 2019).

³¹ IPR2017-01917, Paper 86 (designated April 16, 2019).

³² IPR2018-00816, Paper 19 (designated April 5, 2019).

³³ IPR2017-00948, Paper 34 (designated March 18, 2019).

³⁴ IPR2013-00203, Paper 34 (designated March 18, 2019).

³⁵ IPR2018-00315, Paper 29 (designated March 18, 2019).

and is not permitted if a declaration from the inventor has not been provided previously.

- In *Proppant Express Investments v. Oren Technologies*,³⁶ the precedential opinions panel concluded that 35 U.S.C. § 315(c) provides discretion to allow a petitioner to be joined to a proceeding in which it is already a party and provides discretion to allow joinder of new issues into an existing proceeding.
- *Lectrosonics, Inc. v. Zaxcom, Inc.*,³⁷ replaces informative decision *Western Digital* in providing guidance on statutory and regulatory requirements for motions to amend.

Here is a summary of each informative decision:

- In *Deeper, UAB v. Vexilar, Inc.*,³⁸ the board exercised its discretion to deny institution where petitioner demonstrated a reasonable likelihood of success on only two claims on one asserted ground out of a total of 23 claims challenged under four asserted grounds.
- In *Chevron Oronite Co. LLC v. Infineum USA L.P.*,³⁹ the board exercised its discretion to deny institution where petitioner demonstrated a reasonable likelihood of success on at most two out of 20 challenged claims.
- In *Ex parte Smith*,⁴⁰ both the majority and dissenting opinions apply the USPTO 2019 revised guidance on patent subject matter eligibility.

³⁶ IPR2018-00914, Paper 38 (designated March 13, 2019).

³⁷ IPR2018-01129, 01130, Paper 15 (designated March 7, 2019).

³⁸ IPR2018-01310, Paper 7 (designated April 5, 2019).

³⁹ IPR2018-00923, Paper 9 (designated April 5, 2019).

⁴⁰ Appeal No. 2018-000064 (designated Mar. 19, 2019).

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For more information, please contact:

Michael Rosato

206.883.2529

mrosato@wsgr.com

Steve Parmelee

206.883.2542

sparmelee@wsgr.com

Richard Torczon

202.973.8811

rtorczon@wsgr.com

Matt Argenti

650.354.4154

margenti@wsgr.com



650 Page Mill Road, Palo Alto, California 94304-1050 | Phone 650-493-9300 | Fax 650-493-6811 | www.wsgr.com

Austin Beijing Boston Brussels Hong Kong London Los Angeles New York Palo Alto San Diego San Francisco Seattle Shanghai Washington, DC Wilmington, DE

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