

# Administrative Law Fundamentals and Strategies for IP Lawyers

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# Why Administrative Law?

## Guest Post: Why Administrative Law Matters to Patent Attorneys—In re Cuozzo Speed Technologies LLC

🕒 February 8, 2015    🔖 AIA Trials, Broadest Reasonable Interpretation, Claim Construction, IPR, PGR    👤 Dennis Crouch

*by David Boundy*

Many patent attorneys—including me—went through law school thinking “Administrative law? What do I care?” Administrative law matters; it is as important to intra-PTO litigation and to Federal Circuit appeals as the Federal Rules of Civil Procedure are during district court proceedings.

Administrative law provides a rich set of tools to for a party to guide rational agency decision making while a proceeding is in progress, and to challenge adverse decisions on judicial review. Administrative law tools can:

<https://patentlyo.com/patent/2015/02/administrative-attorneys-technologies.html>

# Why Administrative Law?

- require the agency to follow its own regulations as written, without *ad hoc* “interpretation” or creation of on-the-fly rules,
- require the agency to consider all relevant evidence and arguments,
- establish jurisdiction for judicial review,
- on judicial review, obtain favorable standards of review by slotting issues into exceptions to the high deference normally accorded agency action,
- turn weak policy-based arguments into strong arguments based on statute and Supreme Court authority,
- challenge the agency’s evidentiary and factual rulings on standards that are often far more favorable than the standard of review applied to Article III courts—indeed, the standard of review in some instances can be *less* deferential than the standard applicable to jury findings,
- adduce new evidence on appeal,
- limit the agency’s ability to wiggle out of a case by requesting remand, and instead force the issue to a binding judgment against the agency, and
- confine the arguments that the agency can make to defend its action, and
- require the agency to meet the requirements of the Administrative Procedure Act and other relevant laws when promulgating its regulations or guidelines.

Competence in administrative law is essential in complex patent prosecution, *ex parte* appeals, PTAB trials, and appeals to the Federal Circuit from PTO and ITC actions.

<https://patentlyo.com/patent/2015/02/administrative-attorneys-technologies.html>

# AGENDA

1. Admin Law Fundamentals
2. Admin Law Issues in AIA Implementation
3. Admin Law Issues in PTAB Trials
4. Admin Law Issues in PTAB Appeals
5. Strategies for Using Admin Law in Your PTAB Practice

# Admin Law Fundamentals

## Constitutional Roots of Administrative Law

- **Separation of Powers** – Balancing Legislative, Executive and Judicial Authority and Power
  - U.S. Constitution, Article I, Section 8:  
“The Congress shall have the power . . . To promote the progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”
  - Presumption of Judicial Review of Agency Action  
*Marbury v. Madison*, 5 U.S. 137 (1803); *U.S. v. Nourse*, 34 U.S. 8 (1835)  
Administrative Procedure Act – 5 U.S.C. §§ 702, 704  
APA Legislative History – Congress is presumed to be aware and knows it must limit judicial review *very expressly*.  
*Bowen v. Michigan Acad. Of Family Physicians*, 476 U.S. 667 n.12 (1986)

# Admin Law Fundamentals

## Constitutional Roots of Administrative Law

- **“Chevron Doctrine” or “Chevron Deference”**
  - *Chevron, U.S.A., Inc. v. NRDC, Inc.*, 467 U.S. 837 (1984)
  - When must an Article III Court defer to an agency’s interpretation of the agency’s own enabling statute?
  - *Chevron* “Two-Step” Test:
    - (1) Does the statute unambiguously address the issue?
    - (2) Is the agency’s interpretation of the statute reasonable?
  - Is there a *Chevron* “Step Zero”?
    - Many cases have applied a prior step, to determine whether *Chevron* deference should apply at all.
    - Cass R. Sunstein, “Chevron Step Zero,” 92 Va. L. Rev. 187 (2006).
    - Did Justice Scalia put an end to the notion of a “Step Zero” in *City of Arlington v. FCC*, 133 Sup.Ct. 1863 (2013)?

# Admin Law Fundamentals

## Constitutional Roots of Administrative Law

- **“Chevron Doctrine” or “Chevron Deference”**
  - *City of Arlington v. FCC*, 133 Sup.Ct. 1863 (2013).

The question here is whether a court must defer under *Chevron* to an agency's interpretation of a statutory ambiguity that concerns the scope of the agency's statutory authority (that is, its jurisdiction). [\*\*LEdHR5] [5] The argument against deference rests on the premise that there exist two distinct classes of agency interpretations: Some interpretations--the big, important ones, presumably--define the agency's "jurisdiction." Others--humdrum, run-of-the-mill stuff--are simply applications of jurisdiction the agency plainly has. That premise is false, because the distinction between "jurisdictional" and "nonjurisdictional" interpretations

[\*\*\*12] is a mirage. No matter how it is framed, the question a court faces when confronted with an agency's interpretation of a statute it administers is always, simply, *whether the agency has stayed within the bounds of its statutory authority.*

[\*\*LEdHR6] [6] The misconception that there are, for *Chevron* purposes, separate "jurisdictional" questions on which no deference is due derives, perhaps, from a reflexive extension to agencies of the very real division between the jurisdictional and nonjurisdictional that is applicable to courts. In the judicial context, there is a



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- **“Chevron Doctrine” or “Chevron Deference”**
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That is not so for agencies charged with administering congressional statutes. [\*\*LEdHR7] [7] Both their power to act and how they are to act is authoritatively prescribed by Congress, so that when they act improperly, no less than when they act beyond their jurisdiction, what they do is ultra vires. Because the question--whether framed as an incorrect application of agency authority or an assertion of authority not conferred--is always whether the agency has gone beyond what Congress has permitted it to do, there is no principled basis for carving out some arbitrary subset of such claims as "jurisdictional."

The label is an empty distraction because every new

application of a broad statutory term can be reframed as a questionable extension of the agency's jurisdiction. One of the briefs in support of petitioners explains, helpfully, that "[j]urisdictional questions concern the *who*, *what*, *where*, and *when* of regulatory power: which subject matters may an agency regulate and under what conditions." Brief for IMLA Respondents 18-19. But an agency's *application* of its authority pursuant to statutory



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- **“Chevron Doctrine” or “Chevron Deference”**
  - *City of Arlington v. FCC*, 133 Sup.Ct. 1863 (2013).

In sum, [\*LEdHR9] [9] judges should not waste their time in the mental acrobatics needed to decide whether an agency's interpretation of a statutory provision is "jurisdictional" or "nonjurisdictional." Once those labels [\*1871] are sheared away, it becomes clear that the question in every case is, simply, whether the statutory text forecloses the agency's assertion of authority, or not. See H. Edwards & L. Elliott, *Federal Standards of Review* 146 (2007) ("In practice, it does not appear to matter whether delegated authority is viewed as a threshold inquiry."). The federal judge as haruspex, sifting the entrails of vast statutory schemes to divine whether a particular agency interpretation qualifies as "jurisdictional," is not engaged [\*\*\*19] in reasoned decisionmaking.

# Admin Law Fundamentals

## Constitutional Roots of Administrative Law

- **“Chevron Doctrine” or “Chevron Deference”**
  - *City of Arlington v. FCC*, 133 Sup.Ct. 1863 (2013).

agencies' authority. Where Congress has established a clear line, the agency cannot go beyond it; and where Congress has established an ambiguous line, the agency can go no further than the ambiguity will fairly allow. But in rigorously applying the latter rule, a court need not pause to puzzle over whether the interpretive question presented is "jurisdictional." If "the agency's answer is based on a permissible construction of the statute," [\*1875] that is the end of the matter. *Chevron*, 467 U.S., at 842, 104 [\*\*958] S. Ct. 2778, 81 L. Ed. 2d 694.

# Admin Law Fundamentals

## Constitutional Roots of Administrative Law

- **“Chevron Doctrine” or “Chevron Deference”**
  - *City of Arlington v. FCC*, 133 Sup.Ct. 1863 (2013).

Roberts (dissenting), joined by Kennedy and Alito

My disagreement with the Court is fundamental. It is also easily expressed: A court should not defer to an agency until the court decides, on its own, that the agency is entitled to deference. Courts defer to an agency's interpretation of law when and because Congress has conferred on the [\*\*\*38] agency interpretive authority over the question at issue. An agency cannot exercise interpretive authority until it has it; the question whether an agency enjoys that authority must be decided by a court, without deference to the agency.

# Admin Law Fundamentals

## Constitutional Roots of Administrative Law

- **“Auer Deference”** - *Auer v. Robbins*, 519 U.S. 452 (1997)
  - Extends Chevron deference to the agency’s interpretation of its own regulations.
  - No “two step.” Agency is entitled to deference unless the regulation is unambiguous.
- How is this consistent with Due Process?

# Admin Law Fundamentals

## Constitutional Roots of Administrative Law

- **Due Process**

- U.S. Constitution, Fifth Amendment  
“No person shall be . . . Deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation.”
- APA – Legislative history shows that one of the primary purposes was to prevent violations of *due process* by administrative agencies.

# Admin Law Fundamentals

## Constitutional Roots of Administrative Law

- **Due Process**

- Patents are property rights, and patent owners are entitled to due process before their property is taken.
  - 35 U.S.C. §261 (“Subject to the provisions of this title, patents shall have the attributes of personal property.”)
  - *Cleveland Bd. Of Educ. v. Loudermill*, 470 U.S. 532, 541-42 (1985) (“The right to due process is conferred, not by legislative grace, but by constitutional guarantee. While the legislature may elect not to confer a property interest in public employment, it may not constitutionally authorize the deprivation of such interest, once conferred, without appropriate procedural safeguards.”)
- *Oil States* (Supreme Court, pending) – are patents a “public right” or a “private right” for purposes of the Seventh Amendment?
  - What, if any, is the implication for Fifth Amendment Due Process?

# Admin Law Fundamentals

## Constitutional Roots of Administrative Law

- **Due Process**

This appeal, therefore, presents the question of whether the Board permissibly relied on the requirements of *Idle Free* and the DRP reference in denying Proxyconn's motion to amend. We review Board decisions using the standards set forth in the Administrative Procedure Act, 5 U.S.C. § 706. *In re Sullivan*, 362 F.3d 1324, 1326 (Fed. Cir. 2004). "Under that statute, we set aside actions of the Board that are arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law, and set aside factual findings that are unsupported by substantial evidence." *Id.* "We accept the Board's interpretation of Patent and Trademark Office regulations unless [\*30] that interpretation is 'plainly erroneous or inconsistent with the regulation.'" *Id.* (quoting *Eli Lilly Co. v. Bd. of Regents of the Univ. of*

*Microsoft v. Proxyconn*, 789 F.3d 1292 (Fed. Cir. June 16, 2015).



# Admin Law Fundamentals

## Constitutional Roots of Administrative Law

- **Due Process**

### **5 Lessons From 5 Years On The Bench At PTAB**

By Trenton Ward

I consider myself lucky to have served as an administrative patent judge during the creation of the Patent Trial and Appeal Board and its trial jurisdiction. I had the benefit of working alongside some outstanding judges who worked tirelessly to create a "just, speedy, and inexpensive" forum for patentability adjudication.[1] During my tenure as administrative patent judge, I witnessed some excellent advocacy on behalf of parties appearing before the PTAB, and I also witnessed some less than stellar representation. Relying on the benefit of five years of adjudicating America Invents Act trials, I offer the following five lessons for those practicing before the PTAB.



Trenton Ward

#### **1. No AIA Without APA**

Each and every aspect of an AIA trial must comport with the Administrative Procedure Act. Your victory at the PTAB may be short-lived if the losing party was denied "notice and opportunity to be heard" on the facts and arguments at issue in the case.[2] One of the primary reasons for reversals and remands by the Federal Circuit of PTAB decisions in AIA trials has been for violations of the APA.

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# Admin Law Fundamentals

## The Administrative Procedure Act (“APA”)

- When Congress delegates authority to an executive agency, the agency typically has *complete discretion* to exercise the authority by **rule** or by **adjudication**. (Congress may limit this discretion, but must do so very expressly).
- In either case, the APA provides statutory protections to guard against violations of *due process* by the agency.
  - 1) “Notice and Comment” Rule Making – 5 U.S.C. §553
  - 2) Formal Administrative Trials – 5 U.S.C. §§554-558

# Admin Law Fundamentals

## The Administrative Procedure Act (“APA”)

### “Notice and Comment” Rule Making – 5 U.S.C. §553

- Notice of Proposed Rules Published in the Federal Register
- Opportunity for Interested Persons to Comment
- Agency Must Consider the Comments
- Publication of Final Rules
- Interested Persons Given Opportunity to Petition for Issuance, Amendment, or Repeal of Rule

Key Point: Once the agency goes through this process, the agency is required to *follow its own rules*.

# Admin Law Fundamentals

## The Administrative Procedure Act (“APA”)

### “Notice and Comment” Rule Making – 5 U.S.C. §553

Key Point: Once the agency goes through this process, the agency is required to *follow its own rules*.

While we are cognizant that resolving potentially dispositive issues at the outset of the investigation may be advantageous, that goal cannot trump the need for the Commission to follow its own rules and regulations, absent identifying sufficient grounds for waiver or suspension of those rules. Had the ALJ granted Intervenors' motion to terminate the investigation, that decision would have been issued as an initial determination under *Rule 210.42(c)*, and the Commission could have properly reviewed that initial determination under *Rule 210.24*, thereby resolving the threshold issue

early, as it desired. Or, had Intervenors properly sought interlocutory review, the [\*\*22] Commission could have reviewed Order No. 57.

But under these circumstances, the Commission cannot circumvent its own rules. If it desires to do so, *Rule 201.4(b)* gives it broad authority to waive, suspend, or even amend its rules, none of which happened here. Until it does, its rules are binding and the Commission must follow them. See *United States v. Nixon*, 418 U.S. 683, 696, 94 S. Ct. 3090, 41 L. Ed. 2d 1039 (1974) (noting that even when an agency could "amend or revoke the regulation defining [its] authority," so long as the rule "remains in force the [agency] is bound by it" and a court "is bound to respect and to enforce it").<sup>7</sup>

# Admin Law Fundamentals

## The Administrative Procedure Act (“APA”)

### Formal Administrative Trials – 5 U.S.C. §§554-558

- Right to a hearing
- Right to receive fair notice of the issues, arguments and evidence that will be at issue at the hearing
- Right to submit evidence and argument
- Right to cross-examine testimony
- Right to present evidence in opposition to evidence offered by opponent
- Right to present responsive legal arguments

# Admin Law Fundamentals

## The Administrative Procedure Act (“APA”)

### Formal Administrative Trials – 5 U.S.C. §§554-558

- Right to a decision that is based on all the evidence
- Right to a written opinion from the agency that provides a statement of reasons
- Right to Article III judicial review – 5 U.S.C. §702, §704

# Admin Law Fundamentals

## Judicial Review and Appellate Jurisdiction

- Typically, executive authority is discretionary. Very little ability to get review of an agency's *refusal* to act.
- But when an agency takes an action or makes a decision, there is a strong presumption of judicial review.
  - Even where Congress limits judicial review, statute is narrowly construed.
  - No matter what Congress says, some issues are always reviewable (such as constitutional issues).



# Admin Law Fundamentals

## Judicial Review and Appellate Jurisdiction

- **APA provides the standards for appellate review – 5 U.S.C. §706:**

The reviewing court shall . . . hold unlawful and set aside agency action, findings, and conclusions found to be:

- (A) arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law;
- (B) contrary to constitutional right, power, privilege, or immunity;
- (C) in excess of statutory jurisdiction, authority, or limitations, or short of statutory right;
- (D) without observance of procedure required by law;
- (E) unsupported by substantial evidence in a case subject to sections 556 and 557 of this title or otherwise reviewed on the record of an agency hearing provided by statute; or
- (F) unwarranted by the facts to the extent that the facts are subject to trial de novo by the reviewing court.

# Admin Law Fundamentals

## Judicial Review and Appellate Jurisdiction

- In agency appeals, the jurisdiction of Article III courts is limited to reviewing the correctness and sufficiency of the reasons stated by the agency itself in support of its decision. The appellate court *may not substitute its own judgment for the agency's* (such as affirming for alternative reasons).

acted in a similar case. Since the decision of the Commission was explicitly based upon the applicability of principles of equity announced by courts, its validity must likewise be judged on that basis. The grounds upon which an administrative order must be judged are those upon which the record discloses that its action was based.

[\*88] [5][6][7]In confining our review to a judgment upon the validity of the grounds upon which the Commission itself based its action, we do not disturb the settled rule that, in reviewing the decision of a lower court, it must be affirmed if the result is correct "although the lower court relied upon a wrong ground or gave a wrong reason." *Helvering v. Gowran*, 302 U.S. 238, 245.

The reason for this rule is obvious. It would be wasteful to send a case back to a lower court to reinstate a decision which it had already made but which the appellate court concluded should properly be based on another ground within the power of the appellate court to formulate. But it is also familiar appellate procedure that where the correctness of the lower court's decision depends upon a determination of fact which only a jury could make but which has not been made, the appellate court cannot take the place of the jury. Like considerations govern review

*SEC v. Chenery Corp.*, 318 U.S. 80, 87 (1943)

# Admin Law Fundamentals

## Judicial Review and Appellate Jurisdiction

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the place of the jury. Like considerations govern review of administrative orders. If an order is valid only as a determination of policy or judgment which the agency alone is authorized to make and which it has not made, a judicial judgment cannot be made to do service for an administrative judgment. For purposes of affirming no less than reversing its orders, an appellate court cannot intrude upon the domain which Congress has exclusively entrusted to an administrative agency.

*SEC v. Chenery Corp.*, 318 U.S. 80, 87 (1943)

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# Admin Law in AIA Implementation

## Statutory Authority

### 35 U.S.C. §6 – Patent Trial and Appeal Board

(a) IN GENERAL.—There shall be in the Office a Patent Trial and Appeal Board. The Director, the Deputy Director, the Commissioner for Patents, the Commissioner for Trademarks, and the administrative patent judges shall constitute the Patent Trial and Appeal Board. The administrative patent judges shall be persons of competent legal knowledge and scientific ability who are appointed by the Secretary, in consultation with the Director. Any reference in any Federal law, Executive order, rule, regulation, or delegation of authority, or any document of or pertaining to the Board of Patent Appeals and Interferences is deemed to refer to the Patent Trial and Appeal Board.

# Admin Law in AIA Implementation

## Statutory Authority

### 35 U.S.C. §6 – Patent Trial and Appeal Board

(b) DUTIES.—The Patent Trial and Appeal Board shall—

- (1) on written appeal of an applicant, review adverse decisions of examiners upon applications for patents pursuant to section 134(a);
- (2) review appeals of reexaminations pursuant to section 134(b);
- (3) conduct derivation proceedings pursuant to section 135; and
- (4) conduct inter partes reviews and post-grant reviews pursuant to chapters 31 and 32.

# Admin Law in AIA Implementation

## Statutory Authority

### 35 U.S.C. §314 – Institution of inter partes review

(a) THRESHOLD.—The **Director** may not authorize an inter partes review to be instituted unless the **Director** determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.

(b) TIMING.—The **Director** shall determine whether to institute an inter partes review under this chapter pursuant to a petition filed under section 311 within 3 months after—

- (1) receiving a preliminary response to the petition under section 313; or
- (2) if no such preliminary response is filed, the last date on which such response may be filed.



# Admin Law in AIA Implementation

## Statutory Authority

### 35 U.S.C. §316 – Conduct of inter partes review

(c) PATENT TRIAL AND APPEAL BOARD.—The Patent Trial and Appeal Board shall, in accordance with section 6, conduct each inter partes review instituted under this chapter.

### 35 U.S.C. §318 – Decision of the Board

(a) Final Written Decision - If an inter partes review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 316(d).

# Admin Law in AIA Implementation

## Statutory Limits on PTAB Authority

### 35 U.S.C. §316 – Conduct of inter partes review

(e) Evidentiary Standards. – In an inter partes review instituted under the chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.

# Admin Law in AIA Implementation

## Statutory Limits on PTAB Authority

### 35 U.S.C. §315 – Relation to other proceedings or actions

(b) Patent Owner's Action.- An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).

(c) Joinder.- If the Director institutes an inter partes review, the Director, in his or her discretion, may join as a party to that inter partes review any person who properly files a petition under section 311 that the Director, after receiving a preliminary response under section 313 or the expiration of the time for filing such a response, determines warrants the institution of an inter partes review under section 314.

# Admin Law in AIA Implementation

## Statutory Limits on PTAB Authority

35 U.S.C. §314 – Institution of inter partes review

(d) No Appeal. – The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.

# Admin Law in AIA Implementation

## Statutory Authorization of USPTO Rulemaking

### 35 U.S.C. §316 – Conduct of inter partes review

#### (a) REGULATIONS.—The Director shall prescribe regulations—

- (1) providing that the file of any proceeding under this chapter shall be made available to the public, except that any petition or document filed with the intent that it be sealed shall, if accompanied by a motion to seal, be treated as sealed pending the outcome of the ruling on the motion;
- (2) setting forth the standards for the showing of sufficient grounds to institute a review under section 314(a);
- (3) establishing procedures for the submission of supplemental information after the petition is filed;
- (4) establishing and governing inter partes review under this chapter and the relationship of such review to other proceedings under this title;
- (5) setting forth standards and procedures for discovery of relevant evidence, including that such discovery shall be limited to—(A) the deposition of witnesses submitting affidavits or declarations; and (B) what is otherwise necessary in the interest of justice;
- (6) prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding;

# Admin Law in AIA Implementation

## Statutory Authorization of USPTO Rulemaking

35 U.S.C. §316 – Conduct of inter partes review

(a) REGULATIONS.—The Director shall prescribe regulations—

(7) providing for protective orders governing the exchange and submission of confidential information;

(8) providing for the filing by the patent owner of a response to the petition under section 313 after an inter partes review has been instituted, and requiring that the patent owner file with such response, through affidavits or declarations, any additional factual evidence and expert opinions on which the patent owner relies in support of the response;

(9) setting forth standards and procedures for allowing the patent owner to move to amend the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims, and ensuring that any information submitted by the patent owner in support of any amendment entered under subsection (d) is made available to the public as part of the prosecution history of the patent;

(10) providing either party with the right to an oral hearing as part of the proceeding;

# Admin Law in AIA Implementation

## Statutory Authorization of USPTO Rulemaking

### 35 U.S.C. §316 – Conduct of inter partes review

#### (a) REGULATIONS.—The Director shall prescribe regulations—

(11) requiring that the final determination in an inter partes review be issued not later than 1 year after the date on which the Director notices the institution of a review under this chapter, except that the Director may, for good cause shown, extend the 1-year period by not more than 6 months, and may adjust the time periods in this paragraph in the case of joinder under section 315(c);

(12) setting a time period for requesting joinder under section 315(c); and

(13) providing the petitioner with at least 1 opportunity to file written comments within a time period established by the Director.



# Admin Law in AIA Implementation

## USPTO Rulemaking

PTAB regulations resulted from APA “notice and comment” procedures.

- Practice Guide for Proposed Trial Rules, 77 Fed. Reg. 6868 (Feb. 9, 2012)
- Changes to Implement *Inter Partes* Review Proceedings, 77 Fed. Reg. 7041 (Feb. 10, 2012)
- Office Patent Trial Practice Guide, 77 Fed. Reg. 48756 (Aug. 14, 2012)

Resulting Regulations Codified at 37 C.F.R. pt. 42.

Two implications resulting from APA rulemaking process:

1. The USPTO has an obligation to follow these rules as written (or provide a written statement of reasons for departing from the rules); and
2. The USPTO’s rules are reviewed under *Chevron* deference.

# Admin Law in AIA Implementation

## USPTO Rulemaking – Examples

Broadest Reasonable Interpretation

37 C.F.R. §42.100 Procedure; pendency.

(b) A claim in an unexpired patent that will not expire before a final written decision is issued shall be given its broadest reasonable construction in light of the specification of the patent in which it appears.

Finally, neither the statutory language, its purpose, or its history suggest that Congress considered what standard the agency should apply when reviewing a patent claim in inter partes review. *Cuozzo* contends that §301(d), explaining that the Patent Office should "determine [\*\*\*30] the proper meaning of a patent claim," reinforces its conclusion that the ordinary meaning standard should apply. But viewed against a background of language and practices indicating that Congress designed a hybrid proceeding, §301(d)'s reference to the "proper meaning" of a claim is ambiguous. It leaves open the question of which claim construction standard is "proper."

The upshot is, whether we look at statutory language alone, or that language in context of the statute's purpose, we find an express delegation of rulemaking authority, a "gap" that rules might fill, and "ambiguity" in respect to the boundaries of that gap. *Mead Corp.*, 533 U.S., at 229, 121 S. Ct. 2164, 150 L. Ed. 2d 292 ; see *Chevron U.S.A. Inc.*, 467 U.S., at 843, 104 S. Ct. 2778, 81 L. Ed. 2d 694.

*Cuozzo v. Lee*, 136 S.Ct. 2131, 2144 (2016)

# Admin Law in AIA Implementation

## USPTO Rulemaking – Examples

Broadest Reasonable Interpretation

37 C.F.R. §42.100 Procedure; pendency.

(b) A claim in an unexpired patent that will not expire before a final written decision is issued shall be given its broadest reasonable construction in light of the specification of the patent in which it appears.

We conclude that [\*\*LEdHR17] [17] the regulation represents a reasonable exercise of the rulemaking authority that Congress delegated to the Patent Office.

For one thing, construing a patent claim according to its broadest reasonable construction helps to protect the public. A reasonable, yet unlawfully [\*2145] broad claim might discourage the use of the invention by a member of the public. Because an examiner's (or re-examiner's) use of the broadest reasonable [\*\*\*31] construction standard increases the possibility that the

examiner will find the claim too broad (and deny it), use of that standard encourages the applicant to draft narrowly. This helps ensure precision while avoiding overly broad claims, and thereby helps prevent a patent from tying up too much knowledge, while helping members of the public draw useful information from the disclosed invention and better understand the lawful limits of the claim. See §112(a); *Nautilus, Inc. v. Biosig*

*Cuozzo v. Lee*, 136 S.Ct. 2131, 2144 (2016)

# Admin Law in AIA Implementation

## USPTO Rulemaking – Examples

Delegation of Director's Authority for Institution Decision

37 C.F.R. §42.4 Notice of Trial

(a) *Institution of trial*. The Board institutes the trial on behalf of the Director.

There [\*\*17] is nothing in the statute or legislative history of the statute indicating a concern with separating the functions of initiation and final decision. Ethicon ignores the long-standing rule that agency heads have implied authority to delegate to officials within the agency, even without explicit statutory authority and even when agency officials have other statutory duties. Congress regularly gives heads of agencies more tasks than a single person could ever accomplish, necessarily assuming that the head of the agency will delegate the task to a subordinate officer. For example, more than 100 years ago, the Supreme Court in *Parish v. United States*

assigned to her in [\*\*23] the interest of efficiency. The Director promulgated a regulation allowing the Board to institute inter partes review "on behalf of the Director." 37 C.F.R. § 42.4(a). This rule itself is entitled to *Chevron* deference. *Chevron, U.S.A., Inc. v. Nat. Res. Def. Council, Inc.*, 467 U.S. 837, 842-43, 104 S. Ct. 2778, 81 L. Ed. 2d 694 (1984). The reference to "the Director" in the statute is ambiguous as to whether it requires her personal participation and the regulation is a permissible interpretation of the statute. See *Chevron*, 467 U.S. at 842-43; *Cuozzo*, 793 F.3d at 1279; *Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1335 (Fed. Cir. 2008).

*Ethicon v. Covidien*, 812 F.3d 1023 (Fed. Cir. 2016)



# Admin Law in AIA Implementation

## USPTO Rulemaking – Examples

Institution on Fewer than All Challenged Claims

37 C.F.R. §42.108 Institution of *inter partes* review.

- (a) When instituting *inter partes* review, the Board may authorize the review to proceed on all or some of the challenged claims and on all or some of the grounds of unpatentability asserted for each claim.

### **QUESTION PRESENTED**

Does 35 U.S.C. § 318(a), which provides that the Patent Trial and Appeal Board in an *inter partes* review “shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner,” require that Board to issue a final written decision as to every claim challenged by the petitioner, or does it allow that Board to issue a final written decision with respect to the patentability of only some of the patent claims challenged by the petitioner, as the Federal Circuit held?

*SAS Institute v. Matal*, No. 16-969, U.S. Supreme Court (pending)

# Admin Law in AIA Implementation

## USPTO Rulemaking – Examples

### Party Joinder and Issue Joinder

37 C.F.R. §42.122 Multiple proceedings and Joinder.

(b) *Request for joinder.* Joinder may be requested by a patent owner or petitioner. Any request for joinder must be filed, as a motion under §42.22, no later than one month after the institution date of any *inter partes* review for which joinder is requested. The time period set forth in §42.101(b) shall not apply when the petition is accompanied by a request for joinder.

Can the Federal Circuit / SCOTUS review this issue in light of 35 U.S.C. §314(d)?

- *Wi-Fi One v. Broadcom*, No. 2014-1944, Federal Circuit (pending *en banc*).
- *Nidec v. Broad Ocean*, 868 F.3d 1013 (Fed. Cir. 2017) – concurring opinion expressed strong skepticism on *issue* joinder.

# AGENDA

1. Admin Law Fundamentals
2. Admin Law Issues in AIA Implementation
3. Admin Law Issues in PTAB Trials
4. Admin Law Issues in PTAB Appeals
5. Strategies for Using Admin Law in Your PTAB Practice



# Admin Law in PTAB Trials

## Admin Law Issues in PTAB Trials

### **The Youthful Rebelliousness Of The PTAB**

Law360, New York (March 29, 2016, 10:30 AM ET) -- The Patent Trial and Appeal Board, in its current form, is slightly more than three and half years old.[1] As a relatively new administrative body, the PTAB and its litigants struggle daily with numerous issues of first impression regarding the powers, practices and procedures of the agency. In addition to their impact on particular cases, the resolution of these novel issues will, over a long period of time, come to define the PTAB as an institution — the scope and limits of the board's power, and the manner in which that power will be exercised in particular cases.

Like practically every new federal agency, the PTAB's maturation is likely to follow Marver Bernstein's famous administrative agency "life cycle," and will move through periods of gestation, youth, maturity and old age.[2] The gestation period for an agency is prior to its creation, and is marked by a real or perceived public policy problem or crisis that the agency is intended to address. For the PTAB, the problem leading to its gestation was the crisis of patent quality — a plethora of bad patents that the U.S. Patent and Trademark Office should never have allowed to issue. The PTAB as an agency moved from gestation to youth when it was created, and today remains in the earliest stages of its youth phase.



Donald Puckett

# Admin Law in PTAB Trials

## Admin Law Issues in PTAB Trials

### **The PTAB's Youthful Rebelliousness**

According to Bernstein, during the youth period an agency is crusading and aggressive, but lacking in administrative experience. It pursues vaguely defined objectives by expansively asserting its untested legal powers. The agency frequently finds itself embroiled in litigation within which it asserts a broad view of its own powers, and fosters its own independence with attempts to shield itself from judicial review.[3]

This is a fitting description of the PTAB today. While there is ample evidence to support this claim, there is none better than the PTAB's position regarding what it views as the virtually unlimited scope of 35 U.S.C. §314(d), which states: "The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable."

# Admin Law in PTAB Trials

## Admin Law Issues in PTAB Trials

The PTAB's interpretation of §314(d) seems to have reached a new zenith in *Shaw Industries Group v. Automated Creel Systems*,<sup>[10]</sup> a Federal Circuit appeal decided just last week. Perhaps predictably, Shaw held that §314(d) precludes appellate review of the PTAB's decision to deny institution for some grounds, but not others, on the basis of redundancy.

The remarkable aspects of *Shaw* are the positions taken by the USPTO. In briefing and oral argument, the director took the position that §314(d) shields the PTAB from the requirement to provide any justification whatsoever for its decision to grant or deny institution.<sup>[11]</sup> Stop and read that last sentence again — it is not a typo or hyperbole. The director argued in *Shaw* that §314(d) insulates the PTAB from any and all accountability for its institution decisions. The director further argued that there is no such thing at the PTAB as a “redundancy doctrine” and that no such doctrine was applied by the PTAB in *Shaw*.<sup>[12]</sup>

# Admin Law in PTAB Trials

## Admin Law Issues in PTAB Trials

Judge Jimmie Reyna filed a concurring opinion that is a must-read for anyone interested in PTAB practice. Even though he concurred in the holding that §314(d) precludes appellate review of PTAB's selective institution decisions in light of recent Federal Circuit precedents, he also took strong exception to the director's audacious positions.

Judge Reyna wrote that "[t]he PTO's claim to unchecked discretionary authority is unprecedented. ... Regardless of appealability, administrative discretion is not and never can be 'complete' because it is always bounded by the requirement that an agency act within the law and not violate constitutional safeguards." His concurrence goes on to cite numerous provisions of the Administrative Procedures Act that are binding on the PTAB, such as the requirement that the PTAB engage in "reasoned decision making" to arrive at a reasoned written decision. In Shaw, the director expressly took the position that §314(d) exempts the PTAB from all accountability for institution decisions, even for compliance with the constitution and the APA. Judge Reyna refused to allow this to go unnoticed.

# Admin Law in PTAB Trials

## Admin Law Issues in PTAB Trials

1. Preservation of Error – *exhaustion* of administrative remedies.
  - Common law exhaustion – subject to common law exceptions
  - APA §704 – weak exhaustion requirement
  - Specific statutory / rule exhaustion.

Congress has authorized the PTO to promulgate regulations governing "the conduct of proceedings in the Office," 35 U.S.C. § 2(b)(2)(A). Pursuant to that authority, the PTO issued its regulation requiring parties to raise "new ground of rejection" arguments through petitions for rehearing. 37 C.F.R. § 41.50(c). That regulation imposes a binding exhaustion requirement on parties seeking to raise such arguments on judicial review. See *Sims v. Apfel*, 530 U.S. 103, 108, 120 S. Ct. 2080, 147 L. Ed. 2d 80 (2000) ("[I]t is common for an agency's regulations to require issue exhaustion in

administrative appeals."). And when regulations do so, "courts reviewing agency action regularly ensure against [\*\*18] the bypassing of that requirement by refusing to consider unexhausted issues." *Id.* Applying those principles, this court has declined to address issues that were not raised on a timely basis before the Board of Patent Appeals and Interferences (now the Patent Trial and Appeal Board). *In re DBC*, 545 F.3d 1373, 1378-79 (Fed. Cir. 2008).

*In re Hill-Rom Services*, 634 Fed. Appx. 786 (Fed. Cir. 2015)



# Admin Law in PTAB Trials

## Admin Law Issues in PTAB Trials

### 1. Preservation of Error – *exhaustion* of administrative remedies.

#### 37 C.F.R. §42.64 Objection; Motion to Exclude

(c) *Motion to exclude*. A motion to exclude evidence **must be filed to preserve an objection**. The motion must identify the objections in the record in order and must explain the objections. The motion may be filed without prior authorization from the Board.

#### 37 C.F.R. §42.23 Oppositions and replies.

(b) All arguments for the relief requested in a motion must be made in the motion. A reply may only respond to the arguments raised in the corresponding opposition, patent owner preliminary response, or patent owner response.

# Admin Law in PTAB Trials

## Admin Law Issues in PTAB Trials

1. Preservation of Error – *exhaustion* of administrative remedies.

**FURTHER ORDERED** that a proper Motion to Exclude Evidence should not include arguments alleging that a reply exceeds the scope of a proper reply; and

Order on Conduct of Proceeding, *Vtech v. Spherix*, IPR2014-01431, Paper 17  
(March 18, 2015)



# Admin Law in PTAB Trials

## Admin Law Issues in PTAB Trials

### 1. Preservation of Error – *exhaustion* of administrative remedies.

Patent Owner files this motion to exclude improper reply evidence pursuant to 37 C.F.R. § 42.64(c), which states: “A motion to exclude evidence must be filed to preserve any objection. . . .”<sup>1</sup>

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<sup>1</sup> Patent Owner is aware of at least one decision, authored by a member of this panel, holding that a motion to exclude is not the appropriate vehicle for bringing objections to the scope of reply evidence. *See Vibrant Mesia, Inc. v. General Electric Corp.*, Case IPR2013-00170, Paper 56 at p. 31 (June 26, 2014). Respectfully, Patent Owner contends that the language of § 42.64(c) does not support the notion that a motion to exclude is limited to evidentiary objections.

Patent Owner Motion to Exclude, *Vtech v. Spherix*, IPR2014-01431, Paper 35 (Sept. 4, 2015)

# Admin Law in PTAB Trials

## Admin Law Issues in PTAB Trials

### 1. Preservation of Error – *exhaustion* of administrative remedies.

Indeed, the text of § 42.64(c) seems to indicate the opposite – that a motion to exclude must be filed to preserve any objection to evidence. Patent Owner therefore files this motion to exclude to preserve its objections. Moreover, Patent Owner has no other paper within which to raise its objections regarding the improper scope of Petitioner's reply evidence; and failure to allow Patent Owner to voice these objections would be contrary to the requirements of the Administrative Procedures Act. *See* 5 U.S.C. § 556(d) and (e).

Patent Owner Motion to Exclude, *Vtech v. Spherix*, IPR2014-01431, Paper 35 (Sept. 4, 2015)

# Admin Law in PTAB Trials

## Admin Law Issues in PTAB Trials

### 1. Preservation of Error – *exhaustion* of administrative remedies.

3                   And, also, before we begin, I would like to let the  
4 parties know that we have read the motions to exclude, which  
5 include arguments that the reply and the supporting evidence  
6 exceed the proper scope of a reply.

7                   I want to note that a motion to exclude is not a  
8 proper vehicle for presenting such argument. So we will  
9 determine whether the reply and the supporting evidence are  
10 outside the scope of the reply when we are drafting the final  
11 written decision.

12                  Therefore, the parties should not present those  
13 arguments in this hearing but, rather, should focus their  
14 presentation on a substantive argument.

Oral Hearing, *Vtech v. Spherix*, IPR2014-01431, Paper 47 (Sept. 28, 2015)

# Admin Law in PTAB Trials

## Admin Law Issues in PTAB Trials

### 1. Preservation of Error – *exhaustion* of administrative remedies.

Notwithstanding that Spherix acknowledges that a motion to exclude evidence is not an appropriate mechanism for presenting arguments that a reply or reply evidence exceeds the proper scope of reply under 37 C.F.R. § 42.23(b), Spherix ignores our Order (Paper 16, 3), as well as the Board's trial rules and practice, by presenting such arguments in its Motion to Exclude Evidence. Mot. 3 n.1. Spherix could have sought relief under 37 C.F.R. § 42.20 during this trial, but did not do so. *See Belden Inc. v. Berk-Teck LLC*, 805 F.3d 1064, 1081–82 (Fed. Cir. 2015) (noting that “if the petitioner submits a new expert declaration with its Reply, the patent owner can respond in multiple ways”); *see also id.* (“The tribunal has broad discretion to regulate the presentation of evidence under Fed. R. Evid. 611(a).”). We remind counsel of Spherix that they are required to comply with the Office Patent Trial Practice Guide and the Board's Rules of Practice for Trials, as set forth in Part 42 of Title 37, Code of Federal Regulations.

# Admin Law in PTAB Trials

## Admin Law Issues in PTAB Trials

### 1. Preservation of Error – *exhaustion* of administrative remedies.

Beyond that, the regulations governing *inter partes* review proceedings provide patent owners with procedural mechanisms either to respond to evidence raised in the petitioner's reply or to move to exclude it. Biomarin raised the *in vivo* data issue in its reply, stating that the fact that Biomarin's expert, Dr. Gregory M. Pastores, "testified that *in vitro* [\*\*17] data was sufficient and was confirmed by *in vivo* data . . . should not allow Genzyme to hide behind an improper redundancy argument to prevent the Board from considering relevant references."

If Genzyme had wanted the Board to disregard those references, it could have filed a motion to exclude them. See 37 C.F.R. § 42.64(c); *Belden*, 805 F.3d at 1081. If it had wished to submit a further substantive response to those references, it could have asked [\*\*\*1028] for leave to file a surreply, as longstanding Board practice allows. See *Belden*, 805 F.3d at 1081. But despite having actual notice that Biomarin was relying on the *in vivo* references to rebut Genzyme's arguments, Genzyme failed to take advantage of its procedural options to seek to exclude that evidence or to respond to Biomarin's arguments.

*Genzyme Therapeutic v. Biomarin*, 825 F.3d 1360 (Fed. Cir. 2016)

# Admin Law in PTAB Trials

## Admin Law Issues in PTAB Trials

### 2. Burden of Proof on the Petitioner – *In re Magnum Oil Tools*

*In re Magnum Oil Tools Int'l, Ltd.*, 829 F.3d 1364  
(Fed. Cir. July 25, 2016)

# Admin Law in PTAB Trials

## Admin Law Issues in PTAB Trials

### 3. Burden of Proof on Amendments – *Aqua Products*

*Aqua Products v. Matal*, No. 2015-1177,  
Fed. Cir. (Oct 4, 2017) (*en banc*)



# Admin Law in PTAB Trials

## Admin Law Issues in PTAB Trials

### 4. New Evidence or Argument in Reply or at Oral Argument

- Fed Cir will reverse when party truly does not have notice of the new evidence / argument – such as a new claim construction that first appears in final written decision. *SAS v. Complementsoft*, 825 F.3d 1341 (Fed. Cir. 2016).
- But practically any notice is enough. For example, PTAB can change claim construction in FWD if it adopts the construction that any party has previously advocated. *IPR Licensing v. ZTE*, 685 Fed. Appx. 933 (Fed. Cir. 2017).
- Oral argument is sufficient opportunity to respond to new reply evidence. Must file motion to exclude, ask for surreply, and exhaust other options to preserve error. *Genzyme v. Biomarin*, 825 F.3d 1360 (Fed. Cir. 2016).
- Since claim construction is reviewed de novo, appeal is sufficient opportunity for party to respond to new claim construction in FWD. *IPR Licensing v. ZTE*.
- But see – *Dell v. Acceleron*, 818 F.3d 1293 (Fed. Cir. 2016) (reversed decision where PTAB relied upon an argument made for the first time at the oral hearing).

# Admin Law in PTAB Trials

## Admin Law Issues in PTAB Trials

### 4. New Evidence or Argument in Reply or at Oral Argument

37 C.F.R. §42.23 Oppositions and replies.

(b) All arguments for the relief requested in a motion must be made in the motion. A reply may only respond to the arguments raised in the corresponding opposition, patent owner preliminary response, or patent owner response.

### 5 U.S.C. §554 Adjudications

(b) Persons entitled to notice of an agency hearing shall be timely informed of . . . the matters of fact and law asserted.

### 5 U.S.C. §556

(d) A party is entitled to present his case or defense by oral or documentary evidence, to submit rebuttal evidence, and to conduct such cross-examination as may be required for a full and true disclosure of the facts.

# Admin Law in PTAB Trials

## Admin Law Issues in PTAB Trials

### 6. Party Joinder / Issue Joinder

35 U.S.C. §315 – Relation to other proceedings or actions

(b) Patent Owner's Action.- An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. **The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).**

(c) Joinder.- If the Director institutes an inter partes review, the Director, in his or her discretion, may join as a party to that inter partes review any person **who properly files a petition under section 311** that the Director, after receiving a preliminary response under section 313 or the expiration of the time for filing such a response, determines warrants the institution of an inter partes review under section 314.

# Admin Law in PTAB Trials

## Admin Law Issues in PTAB Trials

### 6. Party Joinder / Issue Joinder

37 C.F.R. §42.122 Multiple proceedings and Joinder.

(b) *Request for joinder.* Joinder may be requested by a patent owner or petitioner. Any request for joinder must be filed, as a motion under §42.22, no later than one month after the institution date of any *inter partes* review for which joinder is requested. **The time period set forth in §42.101(b) shall not apply when the petition is accompanied by a request for joinder.**

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# Admin Law in PTAB Appeals

## Admin Law Issues in PTAB Appeals

### 1. *Oil States* – is it an Admin Law Case?

#### Question Presented:

Whether *inter partes* review – an adversarial process used by the Patent and Trademark Office (PTO) to analyze the validity of existing patents – violates the Constitution by extinguishing private property rights through a non-Article III forum without a jury.

# Admin Law in PTAB Appeals

## Admin Law Issues in PTAB Appeals

### 2. Scope of Appellate Review – *Wi-Fi One v. Broadcom* (en banc)

Specific Issue Presented: In light of §314(d), can the Federal Circuit review appellate points related to the one-year timeliness requirement of §315(b)?

#### Other Issues at Stake:

- If an issue is related to both the institution decision and the final written decision, does §314(d) bar appeal of the issue?
- What is the implication of the fact that the USPTO regulations delegate the Director's authority to decide institution to the PTAB?
- Even in light of the limitation on appeal in §314(d), what aspects of an institution decision may be appealed under the standards of APA §706?



# Admin Law in PTAB Appeals

## Admin Law Issues in PTAB Appeals

### 2. Scope of Appellate Review – *Wi-Fi One v. Broadcom* (en banc)

#### **5 U.S.C. §706 Scope of Review**

The reviewing court shall . . . hold unlawful and set aside agency action, findings, and conclusions found to be:

- (A) arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law;
- (B) contrary to constitutional right, power, privilege, or immunity;
- (C) in excess of statutory jurisdiction, authority, or limitations, or short of statutory right;
- (D) without observance of procedure required by law;
- (E) unsupported by substantial evidence in a case subject to sections 556 and 557 of this title or otherwise reviewed on the record of an agency hearing provided by statute; or
- (F) unwarranted by the facts to the extent that the facts are subject to trial de novo by the reviewing court.

# Admin Law in PTAB Appeals

## Admin Law Issues in PTAB Appeals

### 3. PTAB Compliance with APA

- Sufficiency of PTAB Written Decision
- Notice and Due Process
- Opportunity to Respond with Argument and Evidence
- Consideration of Full Record
- Shifting Burden of Proof

# Admin Law in PTAB Appeals

## Admin Law Issues in PTAB Appeals

### 4. *Chevron* Deference to PTAB “Case Law” – *Aqua Products*

While these rules do not say so expressly, the [\*18] PTO claims in this appeal that the Board has interpreted *Rules 42.20* and *42.121* to place the burden of persuasion on a patent owner to demonstrate, by a preponderance of the evidence, that any proposed amended claims are patentable, that it must do so in light of prior art not already part of the IPR, and that the Director has endorsed that interpretation. Specifically, in *Idle Free*, a

# Admin Law in PTAB Appeals

## Admin Law Issues in PTAB Appeals

### 4. *Chevron* Deference to PTAB “Case Law” – *Aqua Products*

endorsed that interpretation. Specifically, in *Idle Free*, a six-member panel of the Board held that the patent owner must show why the proposed amended claims are patentable over not only the prior art at issue in the IPR, but also "over prior art not of record but known to the patent owner." 2013 Pat. App. LEXIS 6302, 2013 WL 5947697, at \*4.<sup>3</sup> Then, in *MasterImage*, another Board panel discussed *Idle Free*'s holding that "the burden is . . . on the patent owner to show patentable distinction over the prior art of record *and* also prior art known to the patent owner." 2015 Pat. App. LEXIS 7152, 2015 WL 10709290, at \*1 (quoting *Idle Free*, 2013 Pat. App. LEXIS 6302, 2013 WL 5947697, at \*4) (emphasis altered from original).<sup>4</sup> Among other things, the panel emphasized that the ultimate burden of persuasion

# Admin Law in PTAB Appeals

## Admin Law Issues in PTAB Appeals

### 4. *Chevron* Deference to PTAB “Case Law” – *Aqua Products*

3 The Board designated the *Idle Free* decision “representative.” According to the PTO, representative opinions “provide a representative sample of outcomes on a matter” but are not binding authority.

4 The Board designated *MasterImage* as a “Precedential Decision.” To designate a Board decision as precedential, the full Board is given the opportunity to review and vote on the opinion and the Director must approve the designation.

# Admin Law in PTAB Appeals

## Admin Law Issues in PTAB Appeals

### 4. *Chevron* Deference to PTAB “Case Law” – *Aqua Products*

None of the specifics set forth in these two panel decisions regarding a patent owner's burden are set forth in either *Rule 42.20* or *Rule 42.121* and none were discussed in the [\*19] 2012 Federal Register comments relating to the promulgation of those Rules. And neither opinion was published in the Federal Register.

# Admin Law in PTAB Appeals

## Admin Law Issues in PTAB Appeals

### 5. PTAB Expanded Panels

Broad Ocean requested a rehearing of the panel's decision, which was granted by an expanded panel of five Administrative Patent Judges. The expanded administrative panel set aside the original panel's decision [\*\*5] and concluded that

§ 315(c) permits the joinder of any person who properly files a petition under § 311, including a petitioner who is already a party to the earlier instituted [IPR]. We also conclude that § 315(c) en-compasses both party [\*\*\*1865] joinder and issue joinder, and, as such, permits joinder of issues, including new grounds of unpatentability, presented in the petition that accompanies the request for joinder.

J.A. 936 (citations omitted). Having determined that the joinder provision is broad enough to permit joinder with respect to the Second Petition, the expanded panel instituted review of the Second Petition and granted Broad Ocean's request to join the proceeding with the earlier-instituted IPR.

*Nidec v. Broad Ocean*, 868 F.3d 1013  
(Fed. Cir. Aug. 22, 2017)



# Admin Law in PTAB Appeals

## Admin Law Issues in PTAB Appeals

### 5. PTAB Expanded Panels

Broad Ocean requested a rehearing of the panel's decision, which was granted by an expanded panel of five Administrative Patent Judges. The expanded administrative panel set aside the original panel's decision [\*\*5] and concluded that

§ 315(c) permits the joinder of any person who properly files a petition under § 311, including a petitioner who is already a party to the earlier instituted [IPR]. We also conclude that § 315(c) en-compasses both party [\*\*\*1865] joinder and issue joinder, and, as such, permits joinder of issues, including new grounds of unpatentability, presented in the petition that accompanies the request for joinder.

J.A. 936 (citations omitted). Having determined that the joinder provision is broad enough to permit joinder with respect to the Second Petition, the expanded panel instituted review of the Second Petition and granted Broad Ocean's request to join the proceeding with the earlier-instituted IPR.

*Nidec v. Broad Ocean*, 868 F.3d 1013  
(Fed. Cir. Aug. 22, 2017)

# Admin Law in PTAB Appeals

## Admin Law Issues in PTAB Appeals

### 5. PTAB Expanded Panels

Second, we are also concerned about the PTO's practice of expanding administrative panels to decide requests for rehearing in order to "secure and maintain uniformity of the Board's decisions." Director Br. 27. Here, after a three-member panel of administrative judges denied petitioner Broad Ocean's request for joinder, Broad Ocean requested rehearing and requested that the rehearing be decided by an expanded panel. Subsequently, "[t]he Acting Chief Judge, acting on behalf of the Director," J.A. 933 n.1, expanded [\*\*17] the panel from three to five members, and the reconstituted panel set aside the earlier decision.

Nidec alleges that the two administrative judges added to the panel were chosen with some expectation that they would vote to set aside the earlier panel decision. The Director represents that the PTO "is not directing individual judges to decide cases in a certain way." Director Br. 21 (quotation marks omitted). While we recognize the importance of achieving uniformity in PTO decisions, we question whether the practice of expanding panels where the PTO is dissatisfied with a panel's earlier decision is the appropriate mechanism of achieving the desired uniformity. But, as with the joinder issue, we need not resolve this issue here. Nor need we address the predicate issue of appealability.

*Nidec v. Broad Ocean*, 868 F.3d 1013 (Fed. Cir. Aug. 22, 2017) (Dyk and Wallach, concurring).

# Admin Law in PTAB Appeals

## Admin Law Issues in PTAB Appeals

### 7. “Rule 36”

- *Leak Surveys v. FLIR* (SCOTUS denial of cert)

LSI asserts in this petition that, on the facts of this case at least, the Federal Circuit’s affirmance of the PTAB’s private property taking, without stating its reasons for affirmance, amounts to a violation of LSI’s constitutional due process rights. LSI further contends that the specific facts of this case provide substantial reason to conclude that the Federal Circuit exceeded the proper scope of its appellate jurisdiction in an appeal from an administrative trial such as IPR, and invoked FED. CIR. R. 36 to affirm without opinion because the PTAB’s opinion could not be affirmed on its own stated reasons, and was instead affirmed by the Federal Circuit for reasons apart from those stated by the PTAB.

# Admin Law in PTAB Appeals

## Admin Law Issues in PTAB Appeals

### 7. “Rule 36”

- *Leak Surveys v. FLIR* (SCOTUS denial of cert)

LSI's appeal to the Federal Circuit raised fundamental errors in the PTAB's written decision, including the PTAB's plainly erroneous claim construction and failure to consider the objective evidence in connection with the PTAB's ultimate §103 determination.

At the oral argument, the Federal Circuit panel did not take issue with these fundamental defects in the PTAB's decision. Instead, the panel spent the vast majority of its time exploring potential alternative grounds for affirming the PTAB, apart from the reasons stated by the PTAB itself – including arguments never previously raised by the parties or the PTAB, and also including potential 35 U.S.C. §112 claim indefiniteness issues that, by statute, are beyond the PTAB's jurisdiction in an IPR. The day following oral argument, the Federal Circuit invoked FED. CIR. R. 36 to render judgment affirming the PTAB's decision, but without providing an opinion to state the Federal Circuit's reasons for affirmance.

# Admin Law in PTAB Appeals

## Admin Law Issues in PTAB Appeals

### 7. “*Chenery*” Rule – Alive or Dead in the Federal Circuit?

- LSI Cert Denied – October 10, 2017
- *Owens Corning v. Fast Felt Corp.*, Case No. 2016-2613 (Fed. Cir. October 11, 2017)
  - Appeal from a PTAB final decision finding that petitioner had failed to meet burden of proof on obviousness ground (§103).
  - Federal Circuit reversed the PTAB’s claim construction.
  - Rather than vacating and remanding (like every previous 103 case in which the claim construction had been reversed), the Federal Circuit instead reversed and rendered judgment that the patent was invalid.

Did the Federal Circuit substitute its own judgment for the PTAB’s?



# Admin Law in PTAB Appeals

## Admin Law Issues in PTAB Appeals

### 7. “Chenery” Rule – Alive or Dead in the Federal Circuit?

- *Owens Corning v. Fast Felt Corp.*, Case No. 2016-2613 (Fed. Cir. October 11, 2017)

In this case, it is not necessary or appropriate to remand for the Board to reassess the evidence in light of the correct claim construction. On the evidence and arguments presented to the Board, there is only one possible evidence-supported finding: the Board’s rejection of Owens Corning’s challenge, when the correct construction is employed, is not supported by substantial evidence. See, e.g., *Belden Inc. v. Berk-Tek LLC*, 805 F.3d 1064, 1077, 1082 (Fed. Cir. 2015) (reversing rejection of IPR challenge). Moreover, in this court, after Owens Corning sought outright reversal on this ground in its opening brief, Fast Felt in its responsive brief did not ask for a remand if this court adopted a claim interpretation not limited by any requirement of asphalt coating or saturation. In particular, Fast Felt did not respond that this was a late-arising interpretation and it had lacked an

opportunity in the Board proceedings to introduce evidence relevant under this interpretation. Nor do we see a basis for such an argument. Owens Corning’s petition did not restrict the claim scope based on coating or saturation; the Institution Decision did not adopt such a limiting construction, *Institution Decision* at 5; and when Fast Felt relied on a limitation based on asphalt coating or saturation in its Patent Owner’s Response, Owens Corning clearly asserted in its Reply that “Asphalt Saturated Substrates Cannot Be Used To Distinguish The Prior Art Because No Such Limitation Is Recited In The Claims,” J.A. 339. In these circumstances, where only one answer is supported by substantial evidence and there is neither a request nor an apparent reason to grant a second record-making opportunity, reversal is warranted.

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# Admin Law Strategies

## PTAB Admin Law Strategies

1. As an advocate, you must consider the ramifications for preserving error.
  - Asserting your APA and due process rights will send a signal that you expect the PTAB to follow the law, and are prepared to make them do so.
  - This will often be met by resistance or “blowback” from the panel on other issues – or it could have the opposite effect.
2. Once you start down this road, there is no turning back.
3. Preserve the appellate points with a “soft touch” if possible.
4. Once you have decided to fight the fight, exhaust every avenue for asserting your rights.

# Admin Law Strategies

## A. IPR Procedures

This IPR is an administrative trial in which Patent Owner's property interests in the '777 Patent are at issue and at risk of being taken or revoked. Patent Owner is entitled to the applicable procedural protections required by the due process clause of the Fifth Amendment to the U.S. Constitution and the Administrative Procedure Act ("APA"). *See, e.g. In re Nuvasive, Inc.*, 841 F.3d 966, 971 (Fed. Cir. 2016); *Belden, Inc. v. Berk-Tek LLC*, 805 F.3d 1064, 1080 (Fed. Cir. 2015); *Power Integrations, Inc. v. Lee*, 797 F.3d 1318, 1323 (Fed. Cir. 2015) ("Proceedings of the Board are governed by the APA . . . which establishes a scheme of reasoned decision making") (internal citations and quotations omitted). Because an adversarial hearing in IPR is required by statute, IPR trials are considered formal agency adjudications under Administrative Procedures Act and are therefore subject to the APA

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provisions that govern the conduct of formal adjudications. *See* 5 U.S.C. §§ 554(a), 556; *see also Nuvasive*, 841 F.3d at 971. In an IPR, a patent owner is entitled to prior notice of any arguments, evidence, grounds or theories that the Board considers or relies upon for its final written decision. *See* 5 U.S.C. § 554(b); *see also Nuvasive*, 841 F.3d at 971; *Belden*, 805 F.3d at 1080. Patent Owner is entitled to a fair opportunity to respond to all evidence and arguments with rebuttal evidence and rebuttal argument of its own. *See* 5 U.S.C. §§ 554(c), § 556(d); *see also Nuvasive*, 841 F.3d at 971; *Belden*, 805 F.3d at 1080.

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Under the IPR rules, a patent owner's due process rights are potentially implicated when a petitioner is permitted to offer new evidence, arguments, or theories in reply, and the Federal Circuit reviews whether a patent owner is given notice, an opportunity to respond, and other procedural protections required by due process and APA. *See, e.g., Cuozzo Speed Techs., Inc. v. Lee*, 136 S.Ct. 2131, 2141-42 (2016) (“[W]e do not categorically preclude review of a final decision where a petition fails to give ‘sufficient notice’ such that there is a due process problem with the entire proceeding.”); *Nuvasive*, 841 F.3d at 973-75 (vacating and remanding IPR decision that relied upon new arguments made in reply without giving required due process and APA procedural protections to the patent owner).

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The USPTO's administrative regulations governing PTAB trials (such as 37 C.F.R. §42.23(b) restricting the permissible scope of reply) are the product of the USPTO's formal rulemaking process pursuant to the APA. For that reason, the Board has an obligation to enforce its rules as written, and the Board's failure to do so is arbitrary and capricious unless the Board provides a written statement of its reasons for departing from a rule or applying it in a manner inconsistent with other Board decisions in other cases. *See* 5 U.S.C. §§ 552(a), § 706(2)(D); *see also, e.g., Align Tech., Inc. v. ITC*, 771 F.3d 1317, 1322-25 (Fed. Cir. 2014).

Evidence or arguments raised for the first time at the oral argument are particularly problematic from a due process standpoint. A patent owner can only have the required due process notice of the theories, argument, and evidence that

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The Board has no discretion to depart from the unambiguous requirements of any statute applicable to IPR trials. *See City of Arlington v. FCC*, 133 S. Ct. 1863, 1864-65, 1868-69 (2013). In an *inter partes* review, “the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.” 35 U.S.C. §316(e). It is reversible error for the Board to shift the burden of proof to the Patent Owner on any issue of patentability. *See In re Magnum Oil Tools*, 829 F.3d 1364, 1375-76 (Fed. Cir. 2016).



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<sup>2</sup> Patent Owner recognizes that the Board has followed the applicable PTAB regulations as written when it made the Director's decision to institute this IPR for trial that has been delegated to the Board pursuant to 37 C.F.R. § 42.4(a). The validity of this regulation has been affirmed by a panel decision of the Federal Circuit. *See Ethicon Endo-Surgery, Inc. v. Covidien LP*, 812 F.3d 1023, 1033 (Fed. Cir. 2016). But parties continue to seek *en banc* or Supreme Court review on this issue, and the viability of *Ethicon* would be called into question if Congress statutorily modifies or overrules the *Chevron* doctrine that was the basis of the *Ethicon* decision. Patent Owner therefore objects to 37 C.F.R. §42.4(a) as contrary to 35 U.S.C. §§ 314, 316, and 318 and therefore not a valid exercise of the USPTO's administrative rulemaking authority. Patent Owner similarly objects to the Board's exercise in this case of authority that is required by statute to be exercised by the Director. Patent Owner also objects to the assignment of the same panel that decided institution to also preside over the trial phase of this IPR and render the Board's final written decision as being contrary to the same IPR statutes previously cited, which establish a "bifurcated" IPR process. Patent Owner requests assignment of a new panel to preside over this trial and to render the Board's final decision in this case.





# Donald Puckett

Don represents businesses and individuals in patent infringement litigation, patent licensing, and patent *Inter Partes* Reviews. Prior to joining Nelson Bumgardner, he was a co-founder of Dallas law firm Skiermont Puckett LLP. He previously was a Partner at The Ware Firm in Dallas, and an associate at McKool Smith PC. The vast majority of his patent litigation experience has been on behalf of patent owners. Recently, the majority of his practice has involved IPR proceedings and Federal Circuit Appeals of IPR cases.



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- “ [A] chess master who thinks several moves ahead of his opponent. Commentators respect his ability to work up a case so as to maximize the impact of his arguments. . . . Few do it better than Don.”



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