



Circuit training

How will the US Court of Appeals for the Federal Circuit deal with cases arising from mechanisms introduced by the America Invents Act? Orrick's **Mark S Davies** and **Donald Daybell** discuss

The US Court of Appeals for the Federal Circuit has tremendous influence over the development of US patent law. From its establishment in 1984 up through today, the court has rendered thousands of decisions that touch on virtually all aspects of the patent system.¹ Although the Supreme Court and the Congress may have greater formal authority, neither of those institutions is as critical to the daily running of the US patent system.

This year, the Federal Circuit will turn its attention to a set of cases arising from an important new procedure introduced by the America Invents Act. This law introduced several new mechanisms by which parties can ask the US Patent and Trademark Office (USPTO) to reconsider the validity of granted patents. The primary new USPTO proceeding is called "*inter partes* review," a mechanism by which any issued patent can be challenged on the basis of prior art.² Another new USPTO proceeding is called "covered business method review," a mechanism by which

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certain "business method" patents can be challenged on a variety of bases, including prior art as well as other requirements of the patent laws.³ These proceedings both involve a 'mini-trial' before three Administrative Patent Judges (APJ) of the Patent Trial and Appeal Board (PTAB).

Importantly, these APJs are technically trained. All hold degrees in science or engineering and some hold advanced degrees in these areas. They all also have law degrees. The 'trial' before the PTAB is an 18-month long process, involving detailed briefing of the legal and technical issues, depositions of any testifying expert or fact witnesses, and culminating with an oral hearing before the PTAB. The hearing lasts for several hours, and the questions from the judges are often focused on the fine details of the relevant invention and prior art.

Many companies, particular those in the technology sector, have elected to challenge issued patents using this new proceeding. The proceedings are, so far, faster and more streamlined than district court patent litigation

while eliminating some of the restrictions that hampered challenges to patents under prior USPTO processes. The PTAB is reporting that it receives three to five petitions every day, about twice what was initially anticipated by the patent office.⁴ The number of administrative judges at the patent office has more than doubled in response. Most of the patent trials involve electrical/computer patents, see figure on right.

So far, the PTAB has issued 33 final written decisions (not including patent owner requests for adverse judgments) in IPRs, and 11 written decisions in CBMs. *Garmin International, Inc v Cuozzo Speed Technologies LLC*⁵ was the first written opinion issued from an *inter partes* proceeding, and it set the tone for many of the PTAB's rulings. The ruling took its cue from a Supreme Court ruling, *KSR Int'l Co, 550 US 398 (2007)*, in emphasising that "inferences and creative steps that a person of ordinary skill in the art would employ can be taken into account" in deciding whether a claimed invention is "obvious". The challenged patent related to a speed limit indicator. Applying its technical background, the PTAB invalidated the patent because "one with ordinary skill would have recognized that the dynamically-adjustable colored plate suggested by [earlier inventors] can be improved by adding automatic control, if the dynamic settings are automatically-determinable." Many, if not all, of the subsequent written decisions reflect both a detailed understanding of the technical dimensions of the claimed invention and an application of technical experience to assessing whether the "inferences and creative steps" were obvious.

Now, the focus will shift to the Federal Circuit. A party disappointed with a PTAB ruling can appeal the result to the Federal Circuit.⁶ As with any new agency scheme, the appellate court will have to resolve some initial questions about the procedure. For example, the "real party in interest" provision bars repetitive suits, but neither the statute nor the agency has defined the phrase.⁷ Similarly, the PTAB has restricted the number of "redundant" arguments a party can make, and the Federal Circuit will no doubt get asked to consider whether this approach squares with the statute.⁸

But the more enduring question will centre on the Federal Circuit's approach to assessing claimed innovations. The Federal Circuit has jurisdiction over a host of subject matters other than patents, such as government contracts, government employees and veterans' affairs.⁹ And while some of the Federal Circuit judges have a technical background, many do not. Of the five newly appointed judges, only one has any formal technical training.¹⁰ Instead,

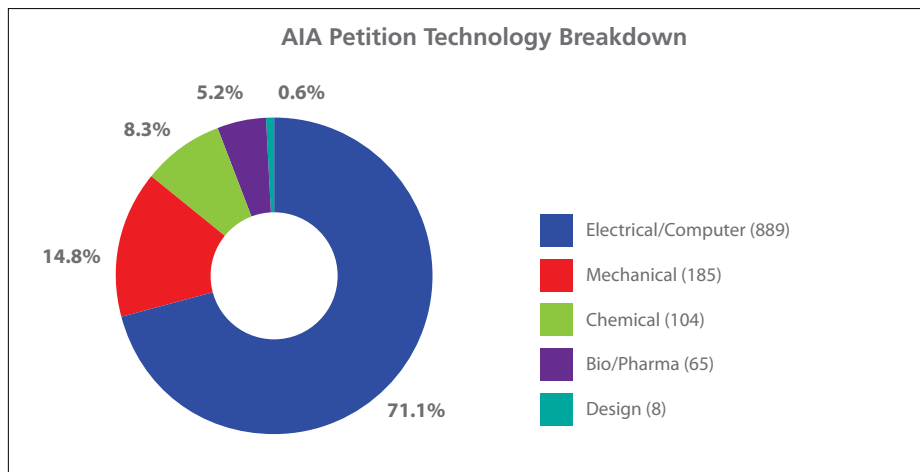


Figure 1: A breakdown of patents by subject matter challenged through new procedures introduced by the America Invents Act from http://www.uspto.gov/ip/boards/bpai/stats/041714_aia_stat_graph.pdf.

the judges bring to the bench expertise in a variety of substantive legal areas, such as trade regulation and commercial litigation. Oral argument typically lasts just half an hour, and the focus is often as much on the practical implications of an appellate ruling as on the fine details of any particular patent or art.

This difference in judicial orientation has direct consequences for parties contesting the validity of a patent. The Federal Circuit presentation must make the basic technological principles accessible; place a premium on selecting only the very best points to emphasise; and consider the long term policy consequences of the choice before the court of appeals. For these reasons, approaches that have worked well at the PTAB should be refined and rethought once the proceedings reach the appellate stage.

There is nothing undesirable or even unusual about these differences between the Federal Circuit forum and the PTAB forum. To the contrary, the difference reflects a core strength of the US legal system. Across the wide span of government there are expert agencies that make rulings that are, at times, reviewed by generalist courts. By establishing deferential standards of judicial review and other normative guidelines, Congress has created an effective system whereby interested parties receive a prompt hearing from those trained in the relevant arts while the generalist courts assure that the expert agencies are following sound principles. The patent system is made all the stronger by the interdependency of agency and appellate court.

Footnotes

1. <http://www.cafc.uscourts.gov/images/stories/Statistics/patent%20filings%20historical.pdf> (line chart showing around 400 patent infringement appeals yearly since 2004).

2. See 35 USC § 311.
3. See 35 USC § 326.
4. Erica Teichert, PTAB Says It's Not A 'Death Squad' For Patents, Law360 (April 15, 2014).
5. Case IPR2012-00001 (Nov 13, 2013).
6. 35 USC § 319.
7. 35 USC § 315.
8. *Liberty Mutual Ins Co v Progressive Casualty Ins Co.*, CBM2012-00003.
9. 28 USC § 1295.
10. <http://www.cafc.uscourts.gov/judges>.

Authors



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