An Appeal-ing Proposition: Federal Circuit Standards of Review for Decisions of the Patent Trial and Appeal Board

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The number of petitions requesting review of issued United States patents under the AIA—including *inter partes* review ("IPR"), covered business method review ("CBMR"), and post-grant review ("PGR")—continues to increase. So too does the number of appeals docketed with the Court of Appeals for the Federal Circuit ("Federal Circuit") from those proceedings. At the time this article was written, eighteen appeals at varying stages were pending with the Federal Circuit. The Federal Circuit has exclusive jurisdiction to hear appeals from a decision of the Patent Trial and Appeal Board ("PTAB"), a unit of the United States Patent and Trademark Office ("USPTO").[2] In these appeals, the Federal Circuit has jurisdiction over many—but **not** all—issues that may occur in a post-grant patent review proceeding at the PTAB.[3]

An important consideration in each appeal of a PTAB decision to the Federal Circuit is the applicable standard of review, which the appellant must identify in its opening brief.[4] As an initial matter, this article discusses Federal Circuit precedent as to what entities may (and may not) have standing to appeal final written decisions of the PTAB to the Federal Circuit. Assuming the appellant has proper standing to launch an appeal, three questions related to the potentially applicable standard of review are addressed:[5] (1) what are the applicable standards of review in appeals from final written decisions of the PTAB, (2) what issues may (and may not) be appealed, and (3) what are the potentially appropriate standards of review for those issues that may be appealed.

I. Who Has Standing to Appeal the PTAB's Final Written Decision

The Patent Act permits a "party dissatisfied with the final written decision" of the PTAB to appeal to the Federal Circuit.[6] Recently, however, the Federal Circuit reminded the patent bar that an appellant must have standing to maintain its appeal. Consumer Watchdog, a nonprofit appellant in *Consumer Watchdog v. Wi. Alumni Research Found.*, filed a request for *inter partes* reexamination with the USPTO.[7] The USPTO instituted reexamination proceedings but ultimately confirmed the patentability of the challenged claims. Consumer Watchdog appealed to the Federal Circuit following an unsuccessful appeal to the Board of Patent Appeals and Interferences ("BPAI"), the predecessor of the PTAB.[8] The Federal Circuit, however, dismissed the appeal, finding that Consumer Watchdog lacked standing to appeal to federal court.

Article III of the U.S. Constitution limits federal court jurisdiction, including that of the Federal Circuit, to cases or controversies, a requirement that is met by demonstrating an "injury in fact."[9] A party need not have Article III standing to appear at the USPTO (an administrative agency), but "the constitutional requirement that it have standing kicks in" when the party seeks review in a federal court.[10] The Federal Circuit explained that while Congress may create the procedural right for a party to appeal the outcome of a USPTO proceeding, the "requirement of injury in fact is a hard floor of Article III jurisdiction that cannot be removed by statute."[11]

Consumer Watchdog argued that it had sustained a concrete and particularized injury when the BPAI denied its request to cancel certain claims of the challenged patent. The Federal Circuit, however, disagreed, reasoning that the statute authorizing requests for reexamination "did not guarantee a particular outcome favorable to the requestor;" the BPAI thus "did not invade any legal right conferred upon Consumer Watchdog."[12] The Federal Circuit further concluded that statutory provisions authorizing an appeal to the Federal Circuit did not confer standing: "A statutory grant of a procedural right, e.g., right to appeal, does not eliminate the requirements of Article III."[13] The Federal Circuit left for another day whether under different circumstances the preclusive effect of the estoppel provisions implicated by a final decision of the BPAI or the PTAB could constitute an injury in fact.[14]

The result of the Federal Circuit's holding in *Consumer Watchdog* is that certain non-profit, non-practicing patent challengers may not be able to appeal PTAB decisions confirming patentability of the challenged patent.

II. What are the Applicable Standards of Review at the Federal Circuit?

Assuming an appellant has proper standing to launch an appeal, the first question in any appeal from a decision of the PTAB is: what are the potentially applicable standards of review?

The standards of review for a decision from a federal administrative agency in the United States, such as the USPTO, are specified in the Administrative Procedure Act ("APA"). Under the APA, a "reviewing court shall decide all relevant questions of law."[15] A reviewing court, on the other hand, *must* set aside any agency

action, findings, and conclusions found to be "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law" *or* "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."[16] As a result:

- Legal conclusions of the PTAB are reviewed ***de novo***.[17]
- Factual findings of the PTAB are reviewed under the **substantial evidence** standard of review.[18]

Legal conclusions are those reached by the application of the law to a given set of facts. Under a *de novo* standard of review, the Federal Circuit gives no deference to legal conclusions of the PTAB.[19]
Questions of fact, on the other hand, are those whose resolution is "based ultimately on the application of the fact-finding tribunal's experience with the mainsprings of human conduct."[20] The Federal Circuit has determined that it will review the PTAB's factual findings under the substantial evidence standard of review.[21] Evidence is substantial "if a reasonable mind might accept it as adequate to support the finding."[22]

Initially, the Federal Circuit applied the clearly erroneous standard of review to the PTAB's factual findings. In *Dickerson v. Zurko*, however, the U.S. Supreme Court held—because the PTAB is an administrative agency—that the APA mandates that the PTAB's factual findings be given deference unless those findings are unsupported by substantial evidence, or are arbitrary and capricious.[23] The clearly erroneous standard of review—applied by the Federal Circuit to district court factual findings under Rule 52(a)—does **not** apply to agency fact-findings.[24] Justice Breyer, speaking for the Court in *Dickerson v. Zurko*, stated:

> The court/agency standard, as we have said, is somewhat less strict than the court/court standard. But the difference is a subtle one-so fine that (apart from the present case) we have failed to uncover a single instance in which a reviewing court conceded that the use of one standard rather than the other would in fact have produced a different outcome.[25]

Identifying the appropriate standard of review does not end the Federal Circuit's analysis; it merely establishes the likelihood of whether or not there has been an error. The APA further mandates that all Federal Circuit review account for "harmless error" by instructing that "due account shall be taken of the rule of prejudicial error."[26] The "harmless error" rule applies to appeals from the PTAB equally as to appeals from final decisions of U.S. district courts.[27] The result is straight-forward: to prevail, the "appellant must not only show the existence of error, but also show that the error was in fact harmful because it affected the decision below."[28] The U.S. Supreme Court has recently confirmed that "review of ordinary administrative proceedings" is like "review of civil cases in this respect. Consequently, it is clear that the burden of showing that the error is harmful normally falls upon the party attacking the agency's determination."[29]

III. What Issues May/May Not Be Appealed to the Federal Circuit?

The second question in any appeal from a decision of the PTAB is: what issues may and what issues may not be appealed?

The Patent Act provides that an appeal from the PTAB is only appropriate after the PTAB issues a final written decision on the merits.[30] Indeed, appeals are not permitted of the PTAB's initial determinations, i.e., determinations whether or not to institute a PTAB trial.[31] The Federal Circuit has similarly concluded that demands for a writ of *mandamus*—a demand that the Federal Circuit compel the PTAB to take certain action—are an inappropriate means to seek appeal of the PTAB's initial or interlocutory decisions. Thus far, the Federal Circuit has addressed the following initial / interlocutory issues:

- Decision Not to Institute an IPR Trial: The Federal Circuit held that "a challenger may not appeal the non-institution decision" of the PTAB to the Federal Circuit. A demand for a writ of *mandamus* is thus inappropriate because the petitioner "has no 'clear and indisputable' right to challenge a non-institution decision directly in this court."[32]
- Decision Instituting an IPR Trial: The Federal Circuit held that it lacks jurisdiction to hear "requests for immediate review of the [PTAB's] decision not to institute an inter partes review" as well as requests to review a "decision to institute such a review." A demand for a writ of *mandamus* "is not a proper vehicle for challenging the institution of *inter partes* review."[33]
- Application of the One-year Statutory Bar in a Decision to Institute IPR Proceedings: The Federal Circuit denied a patent owner's demand for *mandamus* review of a PTAB decision instituting an IPR trial over the patent owner's arguments that the IPR petitions were statutorily barred. The Federal Circuit explained that the patent owner failed to carry its heavy burden to establish that *mandamus* review was appropriate.[34]

- Decision on Request for Additional Discovery: The Federal Circuit denied a patent owner's demand for a writ of *mandamus* compelling the PTAB to grant the patent owner's request for additional discovery. The Federal Circuit explained that the patent owner did not carry its "heavy burden" to establish entitlement to the relief.[35]

- Decision on Request to Submit Supplemental Evidence: The Federal Circuit denied a petitioner's demand for a writ of *mandamus* compelling the PTAB to accept a submission of supplemental evidence. The Federal Circuit explained that "mandamus is rarely a proper means by which an appellate court should take up such evidentiary matters."[36]

Though these initial / interlocutory issues were not ripe for review, the Federal Circuit has left open the possibility that at least some may be raised on appeal from a final written decision of the PTAB. In the cases addressing the application of the one-year statutory bar, a request for additional discovery, and a request to submit supplemental evidence, the Federal Circuit denied writs of *mandamus* without prejudice to the appellant re-raising its arguments after a final written decision of the PTAB.[37]

IV. What is the Potentially Applicable Standard of Review for Issues that May Be Appealed to the Federal Circuit?

The third question in any appeal from a decision of the PTAB is: what is the applicable standard of review for those issues that may be appealed?

After the PTAB issues a final written decision, one of the first steps in the appeal process is to identify what issues are being appealed. The issues—which may be procedural and/or substantive—may vary based on the type of PTAB post-grant review from which the appeal is taken. Once the issues are identified, the potentially applicable standard of review can be ascertained.

The table below catalogues the various issues identified to date that may be addressed in the available PTAB post-grant review proceedings, the type of question presented by each issue, and supporting case law.

V. Conclusion

There are two generally applicable standards of review in appeals of PTAB decisions: (1) *de novo*, and (2) substantial evidence. Although seemingly routine, application of the correct standard of review is critical to the proper disposition of an appeal. Consequently, it is important to identify all of the issues involved in an appeal. Once the issues are identified, the appropriate standard of review and appropriate level of deference that the Federal Circuit should give to the various issues resolved in the PTAB's decision should become clear. Armed with this information, an appellant or prospective appellant can better determine its likelihood of success on potential issues for appeal.

Section	Issue	Type of Question	Supporting Case
Section 101	Patentable Subject Matter	Question of Law	*In re Ferguson*, 558 F.3d 1359, 1363 (Fed. Cir. 2009) ("Whether a claim is drawn to patent-eligible subject matter under § 101 is an issue of law that we review de novo.")
Section 101	Utility	Question of Fact	*In re Fisher*, 421 F.3d 1365, 1369 (Fed. Cir. 2005) ("Whether an application discloses a utility for a claimed invention is a question of fact. We consequently review the Board's determination . . . for substantial evidence.")
Section 101	Statutory-type Double Patenting	Question of Law	*In re Fallaux*, 564 F.3d 1313, 1316 (Fed. Cir. 2009) ("Double patenting is a question of law that we review de novo.")
Section 102(a), (e), and (g)	Anticipation	Question of Fact	*In re Morsa*, 713 F.3d 104, 109 (Fed. Cir. 2013) ("Anticipation is a question of fact reviewed for substantial evidence.")
Section 102(b)	Public Use	Question of Law with Underlying Issues of Fact	*In re Epstein*, 32 F.3d 1559, 1564 (Fed. Cir. 1994) ("Whether something is "in public use or on sale" within the meaning of section 102(b), and thus properly considered prior art, is a question of law with subsidiary issues of fact.")

Section	Issue	Type of Question	Supporting Case
Section 102(b)	Public Use; Experimental Use Exception	Question of Law with Underlying Issues of Fact	*In re Epstein*, 32 F.3d 1559, 1564 (Fed. Cir. 1994) ("Whether something is "in public use or on sale" within the meaning of section 102(b), and thus properly considered prior art, is a question of law with subsidiary issues of fact.")
Section 102(b)	On Sale Bar	Question of Law with Underlying Issues of Fact	*In re Epstein*, 32 F.3d 1559, 1564 (Fed. Cir. 1994) ("Whether something is "in public use or on sale" within the meaning of section 102(b), and thus properly considered prior art, is a question of law with subsidiary issues of fact.")
Section 102(f)	Inventorship	Question of Law with Underlying Issues of Fact	*Sewall v. Walters*, 21 F.3d 411, 415 (Fed. Cir. 1994) ("Conception, and consequently inventorship, are questions of law that this court reviews de novo.")
Section 102(g)	Priority, Conception, and Reduction to Practice	Question of Law with Underlying Issues of Fact	*Singh v. Brake*, 317 F.3d 1334, 1340 (Fed. Cir. 2003) ("Priority of invention and its constituent issues of conception and reduction to practice are questions of law predicated on subsidiary factual findings.")
Section 103	Obviousness	Question of Law with Underlying Issues of Fact	*Randall Mfg. v. Rea*, 733 F.3d 1355, 1362 (Fed. Cir. 2013) ("Whether a claimed invention would have been obvious is a question of law, based on factual determinations regarding the scope and content of the prior art, differences between the prior art and the claims at issue, the level of ordinary skill in the pertinent art, and any objective indicia of non-obviousness. On appeal, we review the Board's compliance with governing legal standards *de novo* and its underlying factual determinations for substantial evidence.")
Section 103	Obviousness-type Double Patenting	Question of Law	*In re Hubbell*, 709 F.3d 1140, 1145 (Fed. Cir. 2013) ("Obviousness-type double patenting is a question of law that we review de novo.")
Section 112	Written Description	Question of Fact	*In re Owens*, 710 F.3d 1362, 1366 (Fed. Cir. 2013) ("Whether a claimed invention is supported by an adequate written description under § 112, ¶ 1, is a question of fact that we review for substantial evidence.")
Section 112	Enablement	Question of Law with Underlying Issues of Fact	*In re Morsa*, 713 F.3d 104, 109 (Fed. Cir. 2013) ("Enablement is a question of law based on underlying factual findings.")
Section 112	Indefiniteness	Question of Law	*In re Packard*, 2014 WL 1775996, *2 (Fed. Cir. May 6, 2014) ("Indefiniteness, as a subset of claim construction, is a question of law which this court reviews without deference.")
Section 112 ¶ 6	Whether a Claim is in Means-Plus-Function Form	Question of Law	*In re Aoyama*, 656 F.3d 1293, 1296 (Fed. Cir. 2011) ("Similarly, determining the claimed function and the corresponding structure for a claim limitation written in means-plus-function format are both matters of claim construction presenting issues of law that we review *de novo*.")
Section 112 ¶ 6	Function and Corresponding Structure of a Means-Plus-Function Claim	Question of Law	*In re Aoyama*, 656 F.3d 1293, 1296 (Fed. Cir. 2011) ("Similarly, determining the claimed function and the corresponding structure for a claim limitation written in means-plus-function format are both matters of claim construction presenting issues of law that we review *de novo*.")

Section	Issue	Type of Question	Supporting Case
Section 120	Effective Filing Date	Question of Law with Underlying Issues of Fact	*In re Owens*, 710 F.3d 1362, 1366 (Fed. Cir. 2013) ("Entitlement to priority under § 120 is a matter of law which we review de novo. To be entitled to a parent's effective filing date, a continuation must comply with the written description requirement of 35 U.S.C. § 112, ¶ 1. Whether a claimed invention is supported by an adequate written description under § 112, ¶ 1, is a question of fact that we review for substantial evidence.")
	Claim Construction	Question of Law	*In re Packard*, 2014 WL 1775996, *2 (Fed. Cir. May 6, 2014) ("Indefiniteness, as a subset of claim construction, is a question of law which this court reviews without deference.")

[1] This article reflects only the present considerations and views of the authors, which should not be attributed to Kirkland & Ellis LLP, or to any of its or their former or present clients.

[2] 35 U.S.C. § 1295(a)(4)(A); 35 U.S.C. § 141.

[3] *See, e.g.*, 35 U.S.C. § 314(d) ("The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.")

[4] Fed. R. App. P. 28(a)(8)(B).

[5] The Federal Circuit has not yet considered any of these questions in a precedential opinion directly addressing an appeal from a final written decision of the PTAB in an IPR or CBMR. This article is premised on the reasonable presumption that the Federal Circuit will treat appeals from a final written decision of the PTAB the same as appeals from other final decisions of the PTAB.

[6] 35 U.S.C. § 319 (IPR); 35 U.S.C. § 329 (CBMR and PGR).

[7] 2014 WL 2490491, *1 (Fed. Cir. June 4, 2014).

[8] *Id*.; *see also* File History of Reexamination No. 95/000,154.

[9] *Consumer Watchdog*, 2014 WL 2490491, at *1 (citing U.S. Const. art III, § 2, cl. 1 and *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560 (1992)).

[10] *Id*. at *2 (citing *Sierra Club v. E.P.A.*, 292 F.3d 895, 899 (D.C. Cir. 2002)).

[11] *Id*. (citing *Summers v. Earth Island Inst.*, 555 U.S. 488, 497 (2009)).

[12] *Id*. at *2–3.

[13] *Id*. at *3 (citing *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 134 S.Ct. 1377, 1386 (2014)).

[14] *Id*. at *4.

[15] 5 U.S.C. § 706.

[16] 5 U.S.C. § 706(2).

[17] *In re Elsner*, 381 F.3d 1125, 1127 (Fed. Cir. 2004).

[18] *In re Gartside*, 203 F.3d 1305, 1316 (Fed. Cir. 2000).

[19] *Merck & Co. v. Kessler*, 80 F.3d 1543, 1550 (Fed. Cir. 1996) (refusing to give deference to statutory interpretation by the USPTO because "Congress has not vested the Commissioner with any general substantive rulemaking power.")

[20] *Comm'r v. Duberstein*, 363 U.S. 278, 289 (1960).

[21] *In re Gartside*, 203 F.3d 1305, 1316 (Fed. Cir. 2000).

[22] *In re Adler*, 723 F.3d 1322, 1325 (Fed. Cir. 2013). The substantial evidence standard of review is also applied by the Federal Circuit when reviewing the factual findings of a jury in a U.S. district court case.

[23] 527 U.S. 150, 164–65 (1999).

[24] *Id*. at 155.

[25] *Id*. at 162–63. In *Dickerson*, the Federal Circuit analyzed the USPTO's factual finding under a "clearly erroneous" standard of review, which generally governs appellate review of a district court judge's findings of fact (court/court review). *Id*. at 153 (citing Fed. R. Civ. P. 52(a)). Because the USPTO is a federal "agency," the U.S. Supreme Court held that a court reviewing the USPTO's decisions must apply the standards

of review outlined in the APA (court/agency review), absent an exception. *Id*. at 154. The Court rejected the Federal Circuit's claim for an exception because it was not convinced that appellate review of the USPTO's decisions "demand[] a stricter fact-related review standard than is applicable to other agencies." *Id*. at 165.

[26] 5 U.S.C. § 706.

[27] *In re Watts*, 354 F.3d 1362, 1369 (Fed. Cir. 2004) ("the harmless error rule applies to appeals from the Board just as it does in cases originating from district courts.")

[28] *In re Chapman*, 595 F.3d 1330, 1338 (Fed. Cir. 2010).

[29] *Shinseki v. Sanders*, 556 U.S. 396, 409 (2009).

[30] 35 U.S.C. § 319 (IPR); 35 U.S.C. § 329 (CBMR and PGR).

[31] 35 U.S.C. § 314(d) (IPR: "The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable."); 35 U.S.C. § 324(e) (CBMR and PGR: "The determination by the Director whether to institute a post-grant review under this section shall be final and nonappealable.")

[32] *In re Dominion Dealer Solutions, LLC.*, 2014 WL 1673823, *1 (Fed. Cir. Apr. 24, 2014).

[33] *In re Procter & Gamble Co.*, 2014 WL 1664223, *1–2 (Fed. Cir. Apr. 24, 2014).

[34] *In re MCM Portfolio, LLC*, 2014 WL 595366, *1 (Fed. Cir. Feb. 18, 2014).

[35] *In re Telefonaktiebolaget LM Ericsson*, 2014 WL 1760009, *1 (Fed. Cir. May 5, 2014).

[36] *In re Redline Detection, LLC*, 547 Fed. Appx. 994, 995 (Fed. Cir. 2013).

[37] *In re MCM Portfolio*, 2014 WL 595366, at *1; *In re Telefonaktiebolaget*, 2014 WL 1760009, at *1; *In re Redline Detection*, 547 Fed. Appx. at 995.