

Reverse or Remand: What is the proper remedy on appeal where the Board fails to carry its burden?



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Is there a growing split in the Federal Circuit on the proper remedy where the Patent Trial and Appeal Board (“Board”) fails to carry its burden? The recent precedential decision of *In re Hodges*, __ F.3d __, 2018 WL 817248 (Fed. Cir. Feb. 12, 2018) might suggest so. Let’s look at *In re Hodges* in view of two other cases that issued in 2017 — *In re Van Os*, 844 F.3d 1359 (Fed. Cir. 2017) and *Icon Health & Fitness, Inc. v. Strava, Inc.*, 849 F.3d 1034 (Fed. Cir. 2017).

***In re Van Os*, 844 F.3d 1359 (Fed. Cir. 2017)**

This case arises from ex parte prosecution of a patent application. Marcel Van Os and other inventors at Apple Inc. filed an application directed to a touchscreen interface in a portable electronic device. The examiner rejected the claims as obvious, and Van Os appealed to the Board. On appeal, the Board affirmed the examiner’s rejection, finding that combining the prior art to arrive at the invention in the claims would have been “intuitive.”

On appeal, the Federal Circuit remanded the Board's obviousness determination because it failed to adequately explain the basis for its assertion that one of ordinary skill in the art would have been motivated to combine the prior art references to arrive at the invention. The Federal Circuit asserted that the Board's conclusory assertion that the prior art combination would have been "intuitive" is no different than merely stating the combination "would have been obvious." "Such a conclusory assertion with no explanation is inadequate to support a finding that there would have been a motivation to combine." Although *KSR* permits the Board to have the person of ordinary skill apply common sense or intuition, the Federal Circuit cautioned that "the flexibility afforded by *KSR* did not extinguish the factfinder's obligation to provide reasoned analysis."

Judge Newman dissented. In her view, a determination on appeal that the Patent Office has not established unpatentability means that "Apple is 'entitled to a patent,'" citing to 35 U.S.C. § 102(a), which states that "[a] person shall be entitled to a patent unless[]" According to Judge Newman, where the Board's opinion is "so crippled as to be unlawful," the Patent Office should not get a second chance on remand to make another case for unpatentability.

***Icon Health & Fitness, Inc. v. Strava, Inc.*, 849 F.3d 1034 (Fed. Cir. 2017)**

In *Icon Health & Fitness*, Icon requested inter partes reexamination of Strava's patent for accessing content from an exercise device using a USB-compatible portable remote control. Inter partes reexamination is a legacy inter partes proceeding that was superseded by inter partes review under the America Invents Act on September 16, 2012. The examiner and the Board found all the claims to be obvious over the prior art. Strava appealed to the Federal Circuit. On appeal, the majority affirmed-in-part, vacated-in-part, and remanded to the Board.

For one group of claims, the Federal Circuit found that the Board's decision incorporated by reference part of the examiner's analysis; however, the examiner's analysis had incorporated by reference Icon's attorney arguments. On this basis, the Federal Circuit found that the Board's decision lacked sufficient, independent explanation. These incorporations, the Federal Circuit held, fell short of the Board's requirement to support findings of obviousness with reasoned analysis. There, the Court majority *remanded* the case to the Board for further consideration.

Judge O'Malley dissented. She argued that it was improper to remand on issues for which the Board failed to carry its burden of showing unpatentability based on substantial evidence. According to Judge O'Malley, the statute provides that the applicant is "entitled" to a patent unless the Patent Office meets its burden to demonstrate otherwise. In her view, the proper remedy was reversal and allowance of the claims, not further proceedings on patentability.

***In re Hodges*, --- F.3d ---, 2018 WL 817248 (Fed. Cir. Feb. 12, 2018)**

This case arises from the ex parte examination of Hodges's patent application for an improved drain valve. The examiner rejected Hodges's claims as anticipated by two

prior art references, or obvious over the combination of the two. The Board affirmed the rejections. The Federal Circuit majority reversed-in-part, vacated-in-part, and remanded to the Board.

For the obviousness ruling, the Federal Circuit vacated the Board's determination because the decision lacked sufficient explanation for the Federal Circuit to properly perform its judicial review function. The Federal Circuit thus remanded so that the Board could explain its reasoning. For one of the anticipation rulings, however, the Federal Circuit *reversed* the Board's determination due to an erroneous claim construction. Under the correct claim construction, there was no dispute that the art did not anticipate. All three judges agreed on the merits. But for the anticipation ruling, the panel split on the proper remedy: reversal or remand.

The majority concluded that because "the only permissible finding that can be drawn from [the art] is that it does not disclose the claim limitation," it must reverse. The majority opinion, authored by Judge O'Malley and joined by Judge Lourie, agreed that the proper remedy under these circumstances was reversal. In the majority's view, "the Patent Office shoulders the burden during initial examination of establishing that the examined claims are anticipated." And if it fails in the first instance to prove its case, reversal is appropriate. Like Judge Newman in *In re Van Os*, the majority relied on 35 U.S.C. § 102, which states that "[a] person shall be entitled to a patent unless[]" It also relied on *In re Oetiker*, 977 F.2d 1443, 1445 (Fed. Cir. 1992), which held that "[i]f examination at the initial stage does not produce a prima facie case of unpatentability, then without more the applicant is entitled to grant of the patent."

Judge Wallach dissented. Judge Wallach took the position that the majority exceeded its authority by making factual findings on appeal with regard to what the prior art discloses and should have instead remanded to the Board for additional investigation or explanation. Judge Wallach questioned the majority's reliance on § 102 as being contrary to precedent, stating that "nothing in § 102 suggests that the USPTO could not satisfy the burden on remand."

To summarize, Judge O'Malley and possibly Judge Lourie appear to have joined Judge Newman in believing that where the Patent Office fails to support its findings with substantial evidence, it should not get a second bite at the apple on remand. Does the Federal Circuit's precedent in *In re Hodges* signal a shift towards that view? Whether other judges latch on to *In re Hodges* remains to be seen, but the remedy issue is something that appellants and appellees should carefully consider. For example, appellants may want argue that reversal, not remand, is the appropriate remedy to prevent further proceedings. Appellees seeking to avoid a case-ending reversal may want to highlight the need for further fact finding. As these cases indicate, the Federal Circuit carefully considers remedies, and parties should be prepared to weigh-in.

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