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Federal Circuit Report

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Federal Circuit Orders the PTAB to Play Fair

Should the Patent Trial and Appeal Board (PTAB) consider disclosures in an allegedly anticipatory reference that were identified for the first time during an oral hearing? No, according to the Federal Circuit, which ruled recently in a PTAB appeal that a patent owner was denied “notice and a fair opportunity to respond” in such a situation.

The Case

Dell Inc. v. Accelaron, LLC [U.S. Ct. of Appeals, Fed. Cir., No. 2015-1513-1514, March 15, 2016], is an appeal from the PTAB’s final written decision in IPR2013-00440. The IPR proceeding involved Accelaron’s US Patent No. 6,948,021, which discloses a computer network appliance containing several hardware modules that can be removed and replaced while the appliance remains on. Dell filed a petition challenging certain claims in the ’021 patent. In the final written decision, the PTAB confirmed the patentability of most claims, but found claims 3 and 20 anticipated.

With respect to claim 3, a key issue in the proceeding was whether the allegedly anticipatory reference, known as Hipp, disclosed “caddies,” as recited in the claim. The caddies hold various hardware modules while providing air flow to the rear of the network appliance. In

its petition, Dell pointed to a specific feature in Hipp—an articulating door—that it alleged disclosed caddies. Yet, in its petitioner’s reply, Dell broadened its theory and argued that the caddies were disclosed not only in the articulating door of Hipp but also in a second feature—a power-supply mounting mechanism—that it had not previously identified. Accelaron sought a conference call with the PTAB to discuss striking Dell’s new invalidity theory, but the PTAB refused to hold a conference call and denied Accelaron authorization to move to strike.

At the oral hearing, Dell identified yet another feature of Hipp—slides located below a power supply—that allegedly disclosed caddies. Accelaron disagreed with Dell’s contention on its merits and also objected on the procedural ground that Dell had never before pointed to Hipp’s slides as disclosing caddies. In its final written decision, the PTAB found that Hipp anticipated claim 3, relying exclusively on the slides in Hipp as disclosing caddies. In response to Accelaron’s procedural objection, the PTAB asserted that Dell had pointed to Hipp’s slides in its reply.

Accelaron appealed to the Federal Circuit, arguing that the PTAB should not have considered a disclosure in Hipp that was raised for the first time at the oral hearing. The Federal Circuit agreed. According to the court, “the Board denied Accelaron its procedural rights by relying in its decision on a factual

assertion introduced into the proceeding only at oral argument, after Accelaron could meaningfully respond.” The court rejected the PTAB’s contention that Dell identified the slides in its reply brief and noted that because the new factual assertion was not raised until the oral hearing, Accelaron was unfairly prevented from supplying evidence to rebut the theory. The Federal Circuit then remanded the case to the PTAB.

Takeaways

The clear takeaway is that the PTAB should not cancel a claim based on a factual assertion that was raised for the first time at the oral hearing, absent some procedure whereby the patent owner is afforded the opportunity to supply evidence to rebut the assertion. Moreover, although the Federal Circuit made clear that it was not addressing “under what circumstances a cancellation may rely on a key factual assertion made for the first time in a petitioner’s reply,” the opinion’s focus on Accelaron’s inability to “meaningfully respond” to the new theory provides guidance for both petitioners and patent owners. Petitioners are at risk if they don’t articulate a winning position early in the case. Patent owners may need to be more aggressive in responding to arguments that were not fairly raised in the petition, either seeking a sur-reply or protesting the unfairness if they cannot meaningfully respond.

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