Insights: Alerts

No Moving Targets: Construing Patent Claims in View of SAS v. ComplementSoft

JUNE 14, 2016 Written by Justin L. Krieger and Jennifer L. Blackburn, Ph.D.

In its majority opinion rendered June 10, 2016 in *SAS Institute, Inc., v. ComplementSoft, LLC*, __ F. 3d __ (Fed. Cir. 2016), the Federal Circuit upheld the Patent Trial and Appeal Board's construction of claim terms and reiterated its holding from *Synopsys, Inc. v. Mentor Graphics Corp.*, 814 F.3d 1309 (Fed. Cir. 2016) that the Board is not required to address in its final written decision claims it did not institute. Critically, the Court also relied on the Administrative Procedure Act ("APA") in reversing and remanding the only finding of patentability in the Board's final written decision.

Although the Federal Circuit agreed with the Board's ultimate construction of the claim phrase "graphical representations of data flows," the Court criticized the procedure by which the Board arrived at that construction as running afoul of protections provided under the APA. In particular, the Court found that those protections apply equally to patent owner and petitioner, preventing the Board from altering its claim construction during a proceeding without providing both parties with an opportunity to address the new construction.

In its Institution Decision the Board had interpreted "graphical representations of data flows" as "a map of the path of data through the executing source code." The Board then denied institution of a proposed ground of rejection based on that interpretation. Patent Owner ComplementSoft, in its Patent Owner's Response, argued the Board misconstrued a different claim term, but did not dispute the Board's construction of "graphical representations of data flows."

Notwithstanding its original construction in its Institution Decision, and the parties' reliance on that construction, the Board applied a different construction of "graphical representations of data flows" in its final written decision. Based on that new construction, the Board found claim 4 patentable because the prior art did not satisfy the limitation, as newly construed.

The Federal Circuit explained that "IPR proceedings are formal administrative adjudications subject to the procedural requirements of the Administrative Procedure Act ('APA'). . . . Persons entitled to notice of an agency hearing shall be timely informed of . . . the matters of fact and law asserted." That provision is not limited to the patent owner, but applies also to the petitioner. The Court explained that the APA provision applies to "[p]ersons entitled to notice of an agency hearing," which includes the petitioner. Moreover, a petitioner is not a disinterested party in the IPR proceeding and stands to lose significant rights due to the estoppel effects triggered by a final written decision.

The protections provided by the APA prevent an agency from "chang[ing] theories in midstream without giving respondents reasonable notice of the change and the opportunity to present argument under the new theory." The Board's altered claim construction was such a change without an opportunity to present argument.

To be sure, as the Court acknowledged, the Board may adopt a claim construction it its final written decision. The

flaw in the Board's procedure here was *changing* its construction from that set out in its institution decision to one not contemplated by either party, thus creating a moving target and an issue that neither party reasonably would have expected needed to be briefed.

As a result of the moving-target claim construction, the Court vacated the Board's holding that claim 4 was patentable and remanded so the parties could address the Board's new construction.

> Perennial dissenter Pauline Newman issued a separate opinion concurring in part and dissenting in part. Judge Newman agreed with the majority's holdings affirming the claim constructions and remanding on the issue of patentability of claim 4 to allow the parties to address the Board's new construction. Judge Newman, however, disagreed with the holding based on Synopsys for the same reasons she dissented in that case.

Although the effects of this decision remain to be seen, unless claim construction is critical to the institution decision, future PTAB panels may be increasingly hesitant to fully flesh out their claim construction positions early in IPR/PGR proceedings, e.g., at the institution stage, instead opting to allow the record to develop before binding itself to a claim construction in the final written decision.

Related People



Justin L. Krieger
t 303.405.1486
jkrieger@ktslaw.com



Jennifer L. Blackburn, Ph.D.
t 404.815.6040
jblackburn@ktslaw.com