

SAS Institute v. ComplementSoft: New Theory in PTAB Final Decision

SAS Institute, Inc. v. ComplementSoft, Inc., ___ F.3d ___ (Fed. Cir. 2016)(Stoll, J.), in an Inter Partes Review proceeding, the majority disagreed with the approach of the PTAB that reached a final decision on new theory contrary to the procedural requirements of the Administrative Procedure Act as interpreted in *See Dell Inc. v. Accelaron, LLC*, 818 F.3d 1293 (Fed. Cir. 2016); and *Belden Inc. v. Berk-Tek LLC*, 805 F.3d 1064 (Fed. Cir. 2015).

The Great Patent Dissenter Strikes Again: Yet again, the senior-most member of the Court set a new record for the number of dissents in a patent case in the entire history of the Evarts Act dating back to the late nineteenth century, *SAS Institute*, ___ F.3d at ___ (Newman, J., dissenting).

Included in this pdf version of the note is an excerpt from the majority opinion.

Regards,

Hal

From the Opinion:

*** IPR proceedings are formal administrative adjudications subject to the procedural requirements of the Administrative Procedure Act (“APA”). *See Dell Inc. v. Accelaron, LLC*, 818 F.3d 1293, 1298 (Fed. Cir. 2016); *Belden Inc. v. Berk-Tek LLC*, 805 F.3d 1064, 1080 (Fed. Cir. 2015); *see also Dickinson v. Zurko*, 527 U.S. 150, 154 (1999). One such APA provision is that “[p]ersons entitled to notice of an agency hearing shall be timely informed of . . . the matters of fact and law asserted.” 5 U.S.C. § 554(b)(3); *see Dell*, 818 F.3d at 1298. SAS, as the petitioner, is entitled to this procedural protection in this instance.

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Although in the past we have discussed § 554(b)(3) with respect to the protection it provides to the patent owner, the provision is not so limited in an instituted IPR proceeding. First, the APA provides that this protection applies to “[p]ersons entitled to notice of an agency hearing.” 5 U.S.C. § 554(b)(3). In an IPR proceeding, this class of persons includes the petitioner. *See* 35 U.S.C. § 316(a)(10) (directing the PTO to promulgate regulations “providing either party”—i.e., petitioner or patent owner—“with the right to an oral hearing as part of the proceeding”); 37 C.F.R. § 42.70 (providing that “[a] party may request oral argument” before the Board). Moreover, affording petitioners with the benefit of § 554(b)(3) is appropriate because petitioners are not disinterested parties in an IPR proceeding. Rather, petitioners stand to lose significant rights in an instituted IPR proceeding because of the estoppel effects that trigger against them if the Board issues a final written decision. *See* 35 U.S.C. § 315(e).

We have interpreted § 554(b)(3) in the context of IPR proceedings to mean that “‘an agency may not change theories in midstream without giving respondents reasonable notice of the change’ and ‘the opportunity to present argument under the new theory.’” *Belden*, 805 F.3d at 1080 (quoting *Rodale Press, Inc. v. FTC*, 407 F.2d 1252, 1256–57 (D.C. Cir. 1968)); *see also Dell*, 818 F.3d at 1300–01 (holding that the Board, in relying on factual assertions the petitioner introduced for the first time at the oral hearing, violated § 554(b)(3) because the patent owner did not have a meaningful opportunity to respond). That maxim applies in this fact-specific circumstance. What concerns us is not that the Board adopted a construction in its final written decision, as the Board is free to do, but that the Board “change[d] theories in midstream.” *Belden*, 805 F.3d at 1080. SAS focused its argument on the Board’s institution decision claim interpretation, a reasonable approach considering ComplementSoft agreed with this interpretation in its patent owner’s response and never suggested that the Board adopt the construction that eventually materialized in the final written decision. It is difficult to imagine either party anticipating that already-interpreted terms were actually moving targets, and it is thus unreasonable to expect that they would have briefed or argued, in the alternative,