



Federal Circuit Holds that PTAB May Enter Adverse Judgment Against a Patent Owner

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By: Jason Weil, Rachel J. Elsby, Daniel L. Moffett

Judge Dyk authored the majority opinion. He first addressed whether the PTAB's entry of final judgment was appealable, and concluded that it was. Neither party contended that the statutory appeal-bar provision prohibiting appeal of institution decisions applied. And the majority determined that Arthrex had an affirmative right to appeal under 28 U.S.C. § 1295 because the PTAB's decision amounted to a final adverse judgment that disposed of the IPR. Judge Dyk then turned to the question of whether the PTAB's entry of an adverse judgment before trial was instituted was proper under 37 C.F.R. § 42.73(b). The regulation identifies "[c]ancellation or disclaimer of a claim such that the party has no remaining claim *in the trial*" (emphasis added) as an action "construed to be a request for adverse judgment." Judge Dyk found that the language "has no remaining claim in the trial" could be interpreted to mean that the party has no remaining claim "*for trial*." In the majority's view, such an interpretation was proper because it was consistent with the remainder of the PTO's rules, including other subsections of § 42.73(b), and furthered the purpose of the estoppel provisions. The majority further concluded that Arthrex's statement that it was not requesting adverse judgment did not change the outcome because application of the rule turns on the PTAB's characterization of the patent owner's action, not the patent owner's own characterization. Judge O'Malley concurred, writing separately to express a strong doubt that the director had authority to promulgate 37 C.F.R. § 42.73(b) in the first place. Judge O'Malley concurred in the result, however, because Arthrex disclaimed any reliance on a statutory or administrative challenge to the regulation.

Judge Newman dissented. In her view, § 42.73(b)(2) only permits the PTAB to construe the cancellation of claims as a request for adverse judgment *after* trial has already been instituted. Specifically, Judge Newman disagreed with the majority's conclusion that the statement "no remaining claim in the trial" in § 42.73(b)(2) could properly be interpreted to mean "no remaining claim for trial."

Pursuant to the panel majority's decision in this case, "37 C.F.R. § 42.73(b) permits the PTAB to enter an adverse judgment when a patent owner cancels all claims at issue after an IPR petition has been filed, but before an institution decision." But the majority expressly reserved the issue of whether the PTO had the authority to issue the regulation in the first place, and Judge O'Malley's concurrence sends strong signals that she does not believe that it did. Accordingly, there appears to be a viable challenge available should a patent owner find itself in the same situation as Arthrex.

Arthrex, Inc. v. Smith & Nephew, Inc. et al., No. 2017-1239 (Fed. Cir. Jan. 24, 2018)

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Federal Circuit

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