April 10, 2017

Courts' Findings of No Invalidity Are Not Binding on the Patent Office in *Inter Partes* Reviews

The US Circuit Court for the Federal Circuit issued an important decision last week regarding the interplay of court litigation and *inter partes* reviews (IPRs) at the US Patent and Trademark Appeals Board (PTAB) on the issue of invalidity/patentability of the same patent. *See Novartis AG v. Noven Pharm. Inc.*, ___ F.3d ___ (April 4, 2017).

Specifically, the Federal Circuit had to decide whether the PTAB was bound by prior judicial opinions from a district court and from the Federal Circuit finding the claims of the same patent nonobvious. The Federal Circuit held that the PTAB was not bound by the prior judicial opinions and affirmed the PTAB's cancellation of the asserted claims.[1] This decision further demonstrates the potential advantage in pursuing an IPR (or other post-grant proceeding) in front of the PTAB either in lieu of or concurrent with a district court litigation.

On appeal, Novartis argued that the PTAB "unlawfully reached different conclusions" than the judicial opinions that addressed the "same" arguments based on the "same" evidence. Slip Op. at 5-6. The Federal Circuit rejected this argument as it was both factually and legally incorrect. Factually speaking, the Federal Circuit held that "the record [in the PTAB] differed from that in the prior litigation[s] ..." because additional prior art and declarations not presented to the courts were submitted during the IPR. *Id.* at 6-7.

Notably, the Federal Circuit did not address Novartis' argument that the additional evidence was "substantively the same" as what was provided to the courts. Rather, the Court simply stated "[i]t is unsurprising that different records may lead to different findings and conclusions." *Id.* at 7. This seems to suggest that the Federal Circuit could find even minor differences in the records between the PTAB and judicial proceedings to be sufficient to allow the PTAB to disregard a prior judicial opinion.

Perhaps more importantly, the Federal Circuit also found Novartis' argument failed as a matter of law, "even if the record were the same[.]" *Id.* at 7. Pointing to the IPR statute's lower "preponderance of evidence" burden of proving unpatentability and the Supreme Court's recent decision in *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2146 (2016), the Federal Circuit held that "the PTAB properly may reach a different conclusion based on the same evidence." *Id.* at 7-8. The Federal Circuit also held that a single sentence in its previous *Baxter* opinion[2] did "not necessitate a different conclusion." *Id.* at 8.

[1] Substantively, the Federal Circuit affirmed the PTAB's finding that the claims for a transdermal patch containing rivastigmine and an acrylic polymer were obvious over the prior art, rejecting Novartis' arguments that there was no motivation to combine the prior art. *Id.* at 9-12.

[2] *In re Baxter Int'l, Inc.*, 678 F.3d 1357, 1365 (Fed. Cir. 2012).

For more information, please contact the following members of Katten's **Intellectual Property** practice:

Martin S. Masar III, PhD
+1.312.902.5616
martin.masar@kattenlaw.com

Brian Sodikoff
+1.312.902.5462
brian.sodikoff@kattenlaw.com

In *Baxter*, the panel stated the USPTO "ideally should not arrive at a different conclusion" if it faces the same evidence and argument as a district court. *Baxter*, 678 F.3d at 1365. Focusing on the word "ideally," the panel in *Novartis* stated that *Baxter* does not mandate the PTAB follow the Court's opinions and instead "connote[d] aspiration and, in fact, recognized that Congress has provided a separate review mechanism before the USPTO with its own standards." *Id.* at 8. Thus, the Federal Circuit concluded that "the prior decisions ... did not bind the PTAB." *Id.*

The take-home message from this Federal Circuit opinion is that a court's finding of a failure to prove invalidity of a patent does not bind the PTAB in an IPR (or other post-grant proceeding) whether the record is the same or different.