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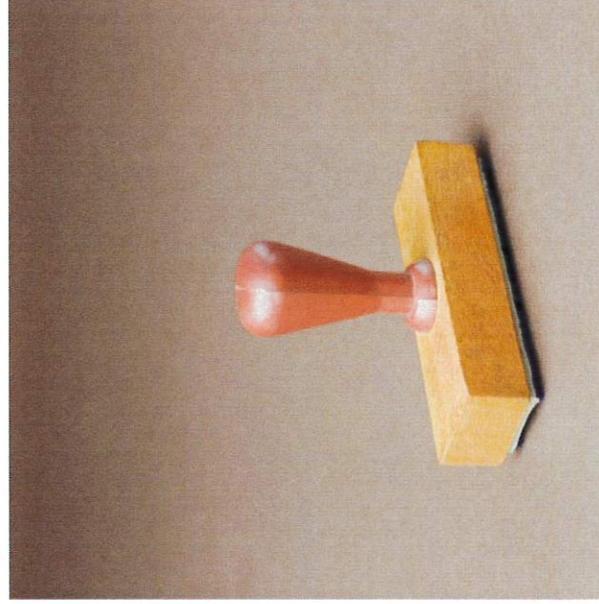
## No End in Sight for Rule 36 Racket at Federal Circuit



**GENE QUINN & STEVE BRACHMANN**

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“Taking franchise rights awarded by the government without a meaningful review by any federal court is inconsistent with the Patent Act, not to mention notions of traditional fair play and substantial justice.”



According to Federal Circuit Rules, a Rule 36 judgment can be entered without an opinion when it is determined by the panel that one of five conditions exist relating to the underlying decision being sufficient or exhibiting no error of law. In such cases, because a written opinion would not have precedential value, a judgment of affirmance without opinion is allowed.

The Federal Circuit use of Rule 36 has been well documented and extremely problematic. As of January 28, the Federal Circuit has issued 44 decisions in 2019. Of those 44 decisions, 24 have been Rule 36 judgments which are simply one-

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42.1% of the Court's decisions have been Rule 36 judgments. More generally, combining Rule 36 and non-precedential opinions together, we see that 77.2% of the Court's decisions are non-precedential, and only 22.8% are precedential.

Clearly, the Federal Circuit is using Rule 36 as a docket management tool in order to quickly decide cases. It is quite common, for example, for Rule 36 decisions to be issued the day after oral arguments, or at least within a few days of oral arguments.

Think about that—parties and attorneys have traveled to Washington, DC, for oral arguments at the Federal Circuit, they attend live in the courtroom because these matters are of extraordinary importance to the parties involved, and they receive a one-word judgment unaccompanied by any reasoning or rationale before they are even checked out of their hotels to fly home. And some actually wonder why Rule 36 practice by the Court is viewed with such disdain.

## Affirming Abuse

It is one thing for a Rule 36 judgment to be issued in such a cavalier manner, but when Rule 36 affirmances of the Patent Trial and Appeal Board (PTAB) affirm the invalidation of patent claims with a single word, the injury is all the greater. Even the Supreme Court has noticed the shenanigans of the PTAB. The Federal Circuit has overturned the PTAB for failure of proof or for applying erroneous standards that they make up themselves instead of following the clear statutory tests, and it is hard to forget the PTAB embracing the “death panel” moniker because they viewed their job as invalidating patent claims. It is also impossible to ignore the very real problems with serial *inter partes* review (IPR) challenges, which occur over and over until one petitioner is finally successful.

Abuse and the PTAB have been practically synonymous. So, when the Federal Circuit chooses to use Rule 36 to affirm the invalidation of patent claims that were supposed to be presumed valid, that is simply inappropriate. That the Federal Circuit does not see the problem speaks to how cloistered the Court has become and how out of touch they are with respect to what patent owners and innovators *actually* think. It also fundamentally deprives patent owners of a meaningful review in an Article III federal court before franchise rights that are akin to personal property and awarded by the government are lost. Taking franchise rights awarded by the government without a meaningful review by any federal court is inconsistent with the Patent Act, not to mention notions of traditional fair play and substantial justice.

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PTAB's invalidation of patent claims owned by Transport Technologies. Oral arguments held on January 7.

- On January 14, the Federal Circuit issued a Rule 36 judgment in Acceleration Bay, LLC v. Activision Blizzard Inc., which affirmed the PTAB's invalidation of patent claims owned by Acceleration Bay. Oral arguments were held on January 9.
- On January 15, the Federal Circuit issued a Rule 36 judgment in Valeo North America, Inc. v. Schaeffler Technologies, which affirmed the PTAB's invalidation of certain patent claims owned by Schaeffler Technologies. Oral arguments were held January 11.
- On January 15, the Federal Circuit issued a Rule 36 judgment affirming the PTAB's invalidation of certain claims of Enventure's S. Patent No. 6695012, under both 15 U.S.C. § 102 grounds for anticipation and Section 103 grounds for obviousness. Enventure Global Technology Inc. v. Mohawk Energy Ltd. Oral arguments were also held January 11.

Given the extraordinary speed with which the Federal Circuit decides Rule 36 cases, it is undeniable that very little post-argument consideration is given. As anyone who has ever written anything will easily be able to attest, the act of compiling one's thoughts and writing can and does often change thoughts, views, language and even conclusions. How many Rule 36 judgments would have been different had *any* real post-argument consideration been given?

What is perhaps more alarming is that, in some oral arguments that go on to receive a Rule 36 judgment, the outcome is not at all clear, as illustrated in the two Rule 36 affirmed cases from the PTAB below.

## ***Lincoln Global***

On January 15, the Federal Circuit issued a Rule 36 judgment in Lincoln Global, Inc. v. Seabery North America Inc., which affirmed the PTAB's invalidation of patent claims owned by Lincoln Global. The patent in question was U.S. Patent No. RE45,398, which had been subjected to an IPR challenge. During oral argument the question was whether a particular reference was available before the critical date.

There was evidence that it had been catalogued in the library prior to the critical date, but no evidence that it had actually been catalogued into an online catalogue system, or any system that was searchable by title and subject matter. Judge Chen stated that the PTAB had made an inference that the manuscript was properly searchable, and again later of the challenger said that

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and say and I know personally, through personal use, that the online catalogue... was searchable by subject, searchable by title, searchable by author,” Chen stated in a declarative way to attorneys arguing for the IPR challenger.

To the extent there was testimony to show that the online system was searchable by title and subject matter, the witness used the present tense rather than making a statement regarding the system in place as of the critical date. “It is an inference that can be drawn either way,” the attorney for Seabery stated, “and with a substantial evidence standard that is enough.” Ultimately, the Federal Circuit, without opinion, issued a one-line judgment affirming the PTAB despite the record containing no evidence on the critical, dispositive issue.

Oral arguments in *Lincoln Global* were held on January 11, 2019.

## ***Imperium Holdings***

On January 9, the Court of Appeals for the Federal Circuit issued a pair of Rule 36 judgments ([No. 2017-1570](#) and [No. 2017-1571](#)) affirming the invalidation of patent claims owned by Imperium (IP) Holdings challenged by Samsung Electronics at the Patent Trial and Appeal Board (PTAB). In affirming the PTAB’s final written decisions without any opinion, the Federal Circuit declined to answer whether the Board erred in two separate obviousness determinations, one which Imperium’s counsel argued was offered *sua sponte* by the Board without support in the record, the other determination relying on cost reduction as a motivation to combine despite Imperium’s contention at oral argument that the combination of prior art references would have actually increased costs.

In the first case, Imperium argued that the Board’s invalidation relied upon erroneous assumptions as to what was covered by Japanese Patent Application No. H11-119288 (“Shimada”). Imperium explained that the Board assumed that Shimada taught the storage of pre-flash data and a look up table as separate files, which was incorrect. Without that misconception, the PTAB had no basis to find that a person of skill in the art would be motivated to modify Shimada to reduce the number of files stored in memory.

Imperium further argued that the Shimada reference was trying to teach the design of a look up table that uses a geometric sequence to organize main flash values, not pre-flash values. Although Samsung’s expert witness testified that modifying Shimada so that pre-flash values weren’t in a separate file would eliminate data structures, there was no evidence that the pre-

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Imperium further pointed out that the inclusion of pre-flash values in the look up table would actually undermine Shimada’s goals because those values wouldn’t be organized by a geometric sequence.

Judge O’Malley later noted that Samsung’s expert witness did not discuss the conservation of storage space. Counsel for Samsung argued that the elimination of a data structure by including pre-flash values in the look up table would naturally conserve space. Judge O’Malley seemed unsatisfied, but both cases received Rule 36 affirmances.

Oral arguments in both *Imperium* cases were held on January 8.

## No End in Sight

Obviously, the Federal Circuit is not going to stop using Rule 36 as a vehicle to manage its docket on its own. Meanwhile, patent owners will lose patent rights without any real explanation by the only Article III federal court they have access to in an appeal from the PTAB.

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**Daniel Hanson**

January 30, 2019 03:45 pm

Every appellate court sees cases that are suitable for a summary disposition. Some appeals involve hard-to-overcome standards of review; some appeals are badly argued; some appeals are effectively decided by legal authority; some appeals seem to be acts of desperation; and some appeals (even though not frivolous) are simply slam-dunk easy. I would hope that such appeals would not account for a significant

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