



# THINK FORWARD

## It Pays to be Persistent if PTAB Rulings Violate Due Process *Ultratec v. CaptionCall and Matal* (Fed. Cir. 2017)

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In *Ultratec*, the Federal Circuit cited several problems with the Board's permissive rules of trial proceedings and held the Board abused its discretion in its consideration of supplementary evidence. The Board's regulations require that a party seeking to introduce supplemental evidence more than one month after institution must first request authorization to file a motion to submit the evidence. In *Ultratec*, the Board's failure to explain its decisions to exclude such supplementary evidence resulted in a full remand.

Ultratec owns eight U.S. patents, each relating to systems for assisting deaf or hard-of-hearing users to make phone calls. Ultratec sued CaptionCall for infringement in the Western District of Wisconsin. In parallel, CaptionCall filed a series of *inter partes* review petitions (IPRs). Importantly, in both the district court trial and IPR proceedings, CaptionCall relied on the same invalidity expert. The expert often testified about the same issues and references in both proceedings. Further, in making its final decision regarding anticipation and obviousness, the Board heavily relied on the expert, citing his testimony over thirty times to support its findings.

Within one week after the jury trial, Ultratec requested authorization from the Board to file a motion to submit in the IPR proceeding portions of the expert's trial testimony. Ultratec argued that the expert's trial testimony conflicted with his written declarations that were submitted in the IPRs. Due to the proceedings occurring in parallel, Ultratec only became aware of the conflicting testimony during cross-examination in the district court trial. Ultratec argued that it could not have offered this evidence of inconsistency to the Board earlier because the inconsistency arose for the first time during the district court trial.

The Board held a conference call to consider Ultratec's request. The Board, however, neither reviewed the testimony to decide whether it could be admitted nor offered any written record of the conference call. Rather, the Board simply denied Ultratec's request. After the final written decisions of invalidity, Ultratec moved for reconsideration on a variety of grounds. The Board denied reconsideration as well.

The Federal Circuit reviewed the Board's decision for abuse of discretion. As noted, under PTO regulations, the Board requires that a party seeking to introduce supplemental evidence more than one month after institution must first request authorization to file a motion to submit the evidence. The request, under 37 CFR §42.123(b), must show:

- (1) why the supplemental information could not have been obtained earlier; and
- (2) that consideration of the supplemental information would be in the interest of justice.

The Federal Circuit offers a clear and definitive statement: "This record affords but one reasonable

conclusion: Ultratec satisfied both of §42.123(b)'s requirements for allowing Ultratec to file a motion to admit [the expert's] trial testimony." First, the evidence, namely the inconsistent trial testimony, could not have been obtained earlier than completion of the district court trial. Second, if the testimony was indeed contradictory, the information would be relevant to both the issue on which the expert gave testimony as well as his credibility, both points meeting the interest of justice standard.

Importantly, the opinion highlights three problems with the Board's procedures. First, the Board denied a request to admit evidence without even seeing the evidence. Second, the Board made significant evidentiary decisions without providing any basis or explanation. Third, the Board's procedures impeded meaningful appellate review of the agency's decision.

In district court litigation, a party dissatisfied with a ruling excluding evidence is allowed to make an offer of proof to preserve error. Parties to an IPR, however, are not provided similar protection.

As cited in Footnote 2 of the Opinion, "[v]ery seldom do IPR proceedings have the hallmarks of what is typically thought of as a trial." The Federal Circuit cites [Brinks Gilson & Lion's Eric Cohen](#) regarding the paucity of use of live testimony before the Board.

Excluding information from the record contributes to the "unreviewability" of the basis for the Board's decision. Citing *Motor Vehicle Mfgs. Ass'n*, 463 U.S. at 43, the Federal Circuit finds that there is "no burden on the patentee to memorialize agency action or reasoning. It is the agency that has the obligation to fulfill its APA duty to provide a 'satisfactory explanation for its action.'"

Having found the Board abused its discretion when it first refused to consider the expert's inconsistent trial testimony and then when it refused to explain its decision, the final written decisions were vacated and remanded.

It pays, therefore, to be persistent if a PTAB ruling violates due process.