

**Apple Inc. v. Corephotonics, Ltd., 2022-1350, 2022-1351 (Fed. Cir. 9/11/2023)**

This is a decision on appeals from PTAB cases IPR2020-00905, IPR2020-00906. The PTAB issued final written decisions holding that Apple had not shown the challenged claims to be unpatentable. Apple appealed. The Federal Circuit vacated and remanded.

The Federal Circuit summarized its conclusions in the first paragraph of the decision, which reads:

Apple Inc. appeals two final written decisions of the Patent Trial and Appeal Board determining that Apple had not shown the challenged claims of Corephotonics, Ltd.'s U.S. Patent No. 10,225,479 were unpatentable as obvious. Because the intrinsic evidence supports a different construction than that adopted by the Board in its first decision, and because the Board based its second decision on a ground not raised by any party in violation of the Administrative Procedure Act (APA), we vacate and remand both final written decisions. [Apple Inc. v. Corephotonics, Ltd., 2022-1350, 2022-1351 (Fed. Cir. 9/11/2023).]

The Federal Circuit's decision on the PTAB's "first decision" does not make new precedential law. But is instructive as to litigation tactics on claim construction in PTAB proceedings. The Federal Circuit's decision, one the Board's "first decision" in this case turned on construction of claim language "fused image with a point of view of the Wide camera," in view of the specification. The Federal Circuit concluded that the Board's claim construction was inconsistent with the intrinsic evidence:

We acknowledge that neither the claim language nor the specification presents a cut-and-dry case of claim construction regarding this claim term. Taken together and in context, however, the intrinsic evidence supports that the claim term requiring a fused image maintaining "a point of view of the Wide camera" requires only that the fused image maintain Wide perspective point of view or Wide position point of view, but does not require both. Because we ultimately conclude that Apple's proposed construction is more in line with the intrinsic evidence, we do not adopt the Board's construction of "fused image with a point of view of the Wide camera." Accordingly, we vacate and remand the Board's final written decision in the first IPR for further proceedings in view of this claim construction. *See, e.g., Kaken Pharm. Co., Ltd. v. Iancu*, 952 F.3d 1346, 1355 (Fed. Cir. 2020) ("[T]he appropriate course in this case, as in so many other involving a reversal of a Board claim construction, is to vacate the Board's decision and remand the matter."). [Apple Inc. v. Corephotonics, Ltd., 2022-1350, 2022-1351 (Fed. Cir. 9/11/2023).]

The reason why the Federal Circuit decided the claim construction in view of the intrinsic evidence, however, is because no party relied upon extrinsic evidence in construing this claim recitation. The Federal Circuit note that:

The parties and the Board each cite only the patent's intrinsic evidence, making this a question of law that we review de novo. *Intel Corp. v. Qualcomm Inc.*, 21 F.4th 801, 808 (Fed. Cir. 2021). [*Apple Inc. v. Corephotonics, Ltd.*, 2022-1350, 2022-1351 (Fed. Cir. 9/11/2023).]

So, why? Why did neither party present expert testimony on this issue? Normally the petitioner does that when filing the petition, and the patent owner does that when filing their responses. One reason why a party would not do that is because their testifying expert does not agree with their claim construction position. Another and much less likely reason is attorney negligence. And yet another reason for a patent owner to do that is that they recognize the lack of evidence supporting the petitioner's construction, and suspect that cross-examination would eviscerate their expert's testimony on the issue. As the Federal Circuit acknowledged "neither the claim language nor the specification presents a cut-and-dry case of claim construction regarding this claim term." So both parties apparently made tactical decisions to not rely upon expert testimony, and eventually Apple prevailed in their tactical decision.

In this case, Corephotonics would have been no worse off than it is now, if it had submitted expert testimony that supported in any way its proposed claim construction. Unless PTAB found, based upon cross-examination evidence, that such testimony was not probative, the Federal Circuit most likely would not have vacated the PTAB's "first decision."

The Federal Circuit's decision on the PTAB's "second decision" does contain new precedential law.

**Legal issue: 5 USC 554(b)(3), notice and opportunity to be heard, submission of facts and arguments, reasonable basis to anticipate and respond to the basis for the Board's decision.**

The Federal Circuit stated the law applicable to its review of the PTAB's "second decision":

The APA imposes important limits on the Board's authority during inter partes reviews. Under the APA, "[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), and the Board "shall give all interested parties opportunity for . . . the submission and consideration of facts [and] arguments," *id.* § 554(c)(1). In other words, "the Board must base its decision on arguments that were advanced by a party, and to which the opposing party was given a chance to respond." *In re Magnum Oil Tools Int'l, Ltd.*, 829 F.3d 1364, 1381 (Fed. Cir. 2016). [*Apple Inc. v. Corephotonics, Ltd.*, 2022-1350, 2022-1351 (Fed. Cir. 9/11/2023).]

The Federal Circuit concluded that the Board failed to provide notice and an opportunity to respond to the Board's outcome dispositive finding, because that finding was not argued by any of the parties as a dispositive issue, and was not relevant to the parties's substantive arguments. The Board outcome dispositive finding was that "the declaration submitted by Apple's expert, Dr. Sasián, was unreliable because of a typographical error he made regarding the lens data."

The Board had cluttered the issue a bit by including in its final written decision *additional* findings of fact that lacked a basis in the record, in support of its decision. These were findings that Dr. Sasián declaration included additional “inconsistencies.” The Federal Circuit noted however that the parties had not identified any such inconsistencies.

The Federal Circuit addressed the Board’s findings as follows. The Federal Circuit stated its conclusions this way:

Here, the Board found that Apple failed to show there would have been a reasonable expectation of success in making its proposed prior art combination because of errors in Dr. Sasián’s expert declaration that neither party asserted were material to the claimed invention—and only one of which Corephotonics even identified as an error. \*\*\* The parties’ arguments regarding obviousness, and specifically whether there would have been a reasonable expectation of success in combining Parulski and Ogata, focused entirely on questions of manufacturability and scalability. The single typographical error made by Dr. Sasián, on the other hand, was never identified by the parties as a dispositive issue, the resolution of which renders it unnecessary also to resolve the parties’ disputes regarding manufacturing and scalability. Further, the additional “inconsistencies” identified by the Board—purported mistakes regarding “aspherical surface” data, ’906 IPR Decision at 15—were never mentioned by the parties. Indeed, both parties appear to agree these “inconsistencies” were not even errors in the first place. Appellant’s Br. 65–67; Appellee’s Br. 45–46. [Apple Inc. v. Corephotonics, Ltd., 2022-1350, 2022-1351 (Fed. Cir. 9/11/2023).]

On this record, the Board’s determination that the typographical error in Dr. Sasián’s declaration was essentially dispositive of the issues in the case does not comport with the notice requirements of the APA. Apple (and Corephotonics, for that matter) had no reason to anticipate that the typographical error would be the basis for the Board’s decision, given that the parties did not brief, argue, or even suggest this error was dispositive or would impact the claimed lens parameters. *See Magnum Oil*, 829 F.3d at 1381 (“[T]he Board must base its decision on arguments that were advanced by a party, and to which the opposing party was given a chance to respond.”). Said otherwise, as in *Power Integrations*, the Board spent a “significant portion of [its] opinion” assessing an issue that no party meaningfully raised or asserted was relevant. 797 F.3d at 1325. And because the Board’s analysis was focused on this issue, it failed to “thoroughly assess the critical issue” outlined by the parties, i.e., whether there would have been a reasonable expectation of success in combining Parulski and Ogata, considering manufacturing and scalability concerns. Because the Board based its decision on a typographical error without sufficiently explaining its significance, made *sua sponte* findings that lacked substantial evidence, and did not resolve the issue the parties presented, we vacate the Board’s final written decision and remand for further proceedings that meet the APA’s requirements for notice and the

opportunity to respond. [Apple Inc. v. Corephotonics, Ltd., 2022-1350, 2022-1351 (Fed. Cir. 9/11/2023).]

This is new precedent because it expands on the factual scenarios under which the Federal Circuit will find that the Board failed to provide sufficient notice and opportunity to be heard, to satisfy 5 USC 554(b)(3). The Federal Circuit, in reaching this decision, restated the closest relevant cases, as follows:

In *Magnum Oil*, we reversed the Board’s final written decision that held all challenged claims were unpatentable as obvious. *Id.* The Board had determined that the challenged claims would have been obvious in view of a combination of prior art that differed from that asserted in the petition, *id.* at 1377, a combination that the petitioner had made only conclusory statements to support, *id.* at 1380. We held that, under the APA, the Board erred in adopting an argument that the petitioner had not sufficiently made. *Id.* at 1381; *see also, e.g., Nike, Inc. v. Adidas AG*, 955 F.3d 45, 53 (Fed. Cir. 2020) (if raising an issue *sua sponte*, the Board must “give[] the parties notice and an opportunity to respond”). [Apple Inc. v. Corephotonics, Ltd., 2022-1350, 2022-1351 (Fed. Cir. 9/11/2023).]

Our decision in *Power Integrations, Inc. v. Lee* is similarly instructive. 797 F.3d 1318 (Fed. Cir. 2015). There, the Board spent a “significant portion of [its] decision” assessing the proper construction of a claim term that the parties did not dispute. *Id.* at 1325. We determined that because so much of the “[B]oard’s analysis is focused on a red herring,” it “failed to straightforwardly and thoroughly assess the critical issue” outlined by the parties and deprived the parties of an opportunity to respond to the Board’s claim construction. *Id.* This, we explained, was a violation of the APA. [Apple Inc. v. Corephotonics, Ltd., 2022-1350, 2022-1351 (Fed. Cir. 9/11/2023).]