

No. 16-1214

In the
**United States Court of Appeals
for the Federal Circuit**

PUI-KWONG CHAN, MAY SUNG MAK, YUN WANG,
Appellants,

v.

BAIZHEN YANG, SONGJIAN WANG, CONGFU ZHAO,
Appellees.

**Appeal from the United States Patent and Trademark Office,
Patent Trial and Appeal Board,
in Patent Interference No. 106,025**

**APPELLANTS' COMBINED PETITION FOR
PANEL REHEARING AND REHEARING EN BANC**

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CERTIFICATE OF INTEREST

Counsel for Appellants hereby certifies the following:

1. The full name of every party or amicus represented by me is:

May Sung Mak, Pui-Kwong Chan, Yun Wang.

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

Pacific Arrow Limited.

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:

None.

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court are:

Law Offices of Albert Wai-Kit Chan, PLLC

Albert Wai-Kit Chan

Hon-Man Lee

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Dated: February 27, 2017

/s/ Robert M. Bauer

Robert M. Bauer

Attorney for Appellants

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I. STATEMENT OF COUNSEL - FEDERAL CIRCUIT RULE 35(B)

Based on my professional judgment, I believe that the panel decision is contrary to the following decision(s) of the Supreme Court of the United States or the precedent(s) of this Court: *Brenner v. Manson*, 383 U.S. 519 (1966); *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U. S. ___, No. 10-1150, slip op. (2012); *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U. S. _____, No. 12-398, slip op. (2013); *Perkins v. Kwon*, 886 F.2d 325 (Fed. Cir. 1989).

Based on my professional judgment, I believe this appeal requires an answer to one or more precedent-setting questions of exceptional importance:

(1) Are there some appeals from the USPTO for which 35 U.S.C. §144 requires that this Court provide a written opinion rather than a Rule 36 Judgment?

(2) If the answer to question (1) is yes, should the determination of which USPTO appeals require a written opinion depend primarily on whether the written opinion might benefit further proceedings in the case in the USPTO?

Dated: February 27, 2017

/s/ Robert M. Bauer

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II. INTRODUCTION

This Combined Petition for Panel Rehearing and Rehearing *En Banc* relates to Interference Proceeding No. 106,025 ("the '025 Interference") which was declared by the Patent Trial and Appeal Board (the "PTAB") with complete disregard as to whether Appellees' claims which were the basis for the interference were not patentable. At the time the interference was declared, Appellees' claims stood rejected by a USPTO Examiner in Appellees' pending patent application as being directed to ineligible subject matter under 35 U.S.C. §101.

An Interview Summary Record in the patent application suggested that, if the claims were amended to include a "white raphide" limitation, they would then be directed to patentable subject matter under 35 U.S.C. §101 (in the opinion of the Examiner). But the '025 Interference was declared prior to, and thus without, such an amendment being made. The PTAB, Appellants, and Appellees have nevertheless referred to and relied upon the "white raphide" limitation in this appeal. Indeed, counsel for Appellees submitted that the Board correctly considered the claims as if they included this limitation. *See* Oral Argument Recording ("Arg.") at 15:05 – 15:40.

Appellants' claims subject to the interference are included in U.S. Patent No. 8,614,197 and, having been examined and patented, are presumably directed to patentable subject matter. 35 U.S.C. §281. Simultaneously with its declaration of

the '025 Interference, the PTAB issued a Rule to Show Cause requiring Appellants' to show why their claims should not be cancelled due to the interference estoppel arising from an earlier interference between the same parties. In their Response to the Order to Show Cause, its first filing in the '025 Interference, Appellants responded on the subject matter of the '025 Interference, but also pointedly complained of the lack of patentability of Appellees' claims. However, the PTAB stated that the patentability of Appellees' claims "is not relevant to the inquiry required by the Order to Show Cause." A32, fn 3. The PTAB further forbid Appellants from filing any other papers. A34. In its August 31, 2015 Decision, the PTAB disregarded Appellants' argument on the lack of patentability of Appellees' claims and then proceeded to cancel Appellants' claims based on interference estoppel.

Thus, the circumstances of the '025 Interference were that Appellants' claims, presumably directed to patentable subject matter, were made subject to an interference with competing claims that were not patentable. Appellants' argument that the '025 Interference should not have been declared because Appellees' claims were not patentable was wrongly ignored, first by the PTAB who explicitly disregarded the argument as irrelevant, and second by the panel's Rule 36 Judgment affirming the PTAB decision.

III. OVERLOOKED OR MISAPPREHENDED POINTS OF LAW OR FACT

Pursuant to Federal Circuit Rules 35(e)(3)(f) and 40(a)(4), Appellants provide this statement of points of law or fact that were overlooked or misapprehended by the panel of the court.

1. The panel overlooked or misapprehended that the patentability of a party's claims under 35 U.S.C. §101 is a threshold determination that is a prerequisite to the declaration of an interference and that the lack of patentability cannot be disregarded even when there was a prior interference between the parties or a suggested amendment that would cause the party's claims to be patentable.

2. The panel overlooked or misapprehended that appellees' claims did not include the "white raphide" limitation when the '025 Interference was declared and it should not have considered appellees' claims as if they were amended to contain that limitation notwithstanding Appellees' submission that it was proper for the PTAB to do so.

3. If the panel believes that appellees' claims should have been considered as if they were amended to include the "white raphide" limitation, or that the claims are directed to patentable subject matter under Section 101, then it should have provided a written opinion according to 35 U.S.C. §144 so as to provide guidance for further proceedings in the USPTO.

IV. ARGUMENTS

A. SUMMARY OF THE ARGUMENTS

The claims of the Appellees involved in the interference were not directed to patentable subject matter under 35 U.S.C. §101. This is not merely the contention of Appellants. At the time that the '025 Interference was declared, the claims stood rejected by a USPTO Examiner as not being directed to patentable subject matter under 35 U.S.C. §101. In their brief, Appellees did not dispute that the claims were not directed to patentable subject matter but merely insisted that they were entitled to have an interference declared so that Appellants' claims could be cancelled.

The patentability of the claims is a jurisdictional prerequisite to the declaration of an interference proceeding that cannot be disregarded by the PTAB or the court. It is of no consequence that there was a previous interference proceeding between the parties that would necessitate a particular result through the application of interference history estoppel if the interference was proper. The PTAB erred as a matter of law in declaring the '025 Interference while disregarding the lack of patentability of Appellee's claims. This error is jurisdictional in nature and cannot be remedied by Appellees' representation that it will amend the claims so as to be directed to patentable subject matter. Even if the amendment of Appellees' claims to include a "white raphide" limitation would cause them to be directed to patentable subject matter, such amendment should not be relied upon because it would occur

subsequent to the declaration of the interference which is subject to this judicial review. If such an amendment is to be relied upon, then the court should provide a written opinion stating that its affirmance is based on the amendment so that further proceedings in the USPTO can be governed by the amendment.

It is long-standing precedent of the U.S. Supreme Court, this Court, and indeed the USPTO itself, that an interference should not be declared unless the claims of each of the parties are patentable to that party but for the interference. In particular, the patentability of the claims is not a discretionary consideration. Properly understood as shown by this Combined Petition for Panel Rehearing and Rehearing *En Banc*, it is a threshold jurisdictional prerequisite and, as such, Appellants had the right to demand that the PTAB ensure that Appellees' claims were directed to patentable subject matter **before** the '025 Interference was declared and conducted. It is undisputed that the PTAB declined to review the patentability of Appellees' claims and so this court should grant rehearing or rehearing *en banc* to correct this error, and, at the least, vacate the PTAB decision and remand with appropriate instructions.

B. ARGUMENTS IN SUPPORT OF PANEL REHEARING

- 1. The Panel should provide a written opinion to guide the USPTO in future proceedings on the issues not addressed by the PTAB decision.**

As detailed *supra*, the Appellees' claims did not have a "white raphide" limitation when the '025 Interference was declared. But such a limitation was

suggested to Appellees to rescue their claims from a 35 U.S.C. § 101 rejection and was relied upon to impart patentability to the claims after the interference was declared. Thus, it appears that there may be an incongruity between the record as existed in the USPTO at the time the '025 Interference was declared, and the basis for the panel's Rule 36 Judgment affirming the PTAB decision.

The Rule 36 Judgment of the panel gives the parties and the USPTO no guidance on the key issues that were left unresolved in the PTAB decision. In particular, there is no indication whether the decision is based on Appellees' claims having the "white raphide" limitation or not. There is no indication whether the claims as considered by the panel are concluded to be directed to patentable subject matter under 35 U.S.C. §101 or not. Even if one presumes from the Rule 36 Judgment that the panel was in complete agreement with the PTAB decision, there is still no guidance on these issues because the PTAB decision itself did not address and resolve these issues. In particular, failure to make clear the presence (or not) of the "white raphide" limitation in Appellees' claims would leave the record confused. If the Rule 36 Judgment of the panel were to be provided to the USPTO, then there would be a bit of a quandry as to how the USPTO should proceed. Specifically, should the USPTO treat Appellees' claims as if they include the "white raphide" limitation or not? While there was ample reference to the limitation during the PTAB decision and the appeal, Appellants respectfully submit that the USPTO has

no basis to include the limitation in Appellees' claims unless the panel states as much in a written opinion. If the panel's Rule 36 Judgment is based on the "white raphide" limitation, then the record should be made clear to the USPTO through a written opinion. Appellants would have obviously preferred that the court had ruled in their favor on the merits of these issues. But failing that, appellants respectfully submit that it would benefit both of the parties and the USPTO if one or both of these issues were resolved in at least a cursory manner in a written opinion and request that the panel grant rehearing for that limited purpose.

35 U.S.C. §144 explicitly states that the Court shall review USPTO decisions "on the record before the Patent and Trademark Office" and that it "shall issue to the Director its mandate and opinion, which shall . . . govern further proceedings in this case." It follows from the language of 35 U.S.C. §144 that a written opinion should be provided to the extent necessary to clarify the record and make clear what should happen next in the USPTO. Under the circumstances of this case, the panel is respectfully requested to provide a brief explanatory written opinion to guide the parties and the USPTO as to the scope of Appellees' claims and whether they are directed to patentable subject matter to guide further proceedings in the case.

C. ARGUMENTS IN SUPPORT OF REHEARING *EN BANC*

1. The *En Banc* Court should grant rehearing to review whether the PTAB must determine that a party's claims are directed to patentable subject matter under 35 U.S.C § 101 as a threshold jurisdictional prerequisite to declaring an interference

The PTAB's determination that the patentability of Appellees' claims is not relevant to declaration of the '025 interference is contrary to long standing precedent and its decision should be reversed, or at least vacated and remanded with instructions to determine the patentability of Appellees' claims. The U.S. Supreme Court has squarely held that "The question as to patentability of claims to an applicant must be determined before any question of interference arises and claims otherwise unpatentable to an applicant cannot be allowed merely in order to set up an interference." *Brenner v. Manson*, 383 U.S. 519, 528 n.12, 86 S.Ct. 1033, 1038 n.12, 16 L.Ed.2d 69 (1966). In *Brenner*, the U.S. Supreme Court held that the applicant's claims were not patentable under 35 U.S.C. §101 because applicant did not show the claimed subject matter to have utility. As explained *supra*, Appellees' claims in the '025 Interference were not directed to patentable subject matter under 35 U.S.C. §101 according to the Examiner in Appellees' patent application.

The requirement that each party's claims in an interference must be patentable as to that party has been described as a "threshold determination" by this court, there being no "substantiation" for the existence of discretion in this regard. *Perkins v. Kwon*, 886 F.2d 325 (Fed. Cir. 1989). In other words, the patentability of

the claims is an absolute jurisdictional prerequisite to an interference proceeding. If the claims are not patentable, then the interference proceeding cannot be conducted. The underlying rationale is that, since interferences are to be conducted to determine the party to which competing claims shall be awarded, there is no practical reason to declare an interference if the claims cannot be awarded when the interference is completed.

Appellees wrongly argued that the standard of review to be applied to the PTAB's disregard of the patentability of Appellees' claims was abuse of discretion. See Appellees' Br. at 19-20. The PTAB may have had discretion to issue an Order to Show Cause, and to issue it simultaneously with its declaration of the '025 Interference. But Appellants respectfully submit that this Court should carefully review *en banc* whether that discretion in conducting an interference proceeding should be extended to the "threshold determination" of whether the interference should be declared. It should be kept in mind, of course, that the PTAB in the '025 Interference did not actually exercise any discretion. Rather, it explicitly, and in conflict with long-standing precedent, stated that the patentability of Appellees' claims was irrelevant to declaration of the interference proceeding.

It is to be recognized that the patentability of Appellees' claims was said to have had "no bearing on whether interference estoppel or an interference-in-fact exists." Appellees' Br. at 20. Such a statement, and the PTAB's overarching

concern with interference estoppel in its decision, may imply that the PTAB concluded that the application of interference estoppel trumped or negated the prerequisite determination of the patentability of the claims. After all, the results of applying an interference estoppel analysis cannot be achieved if no interference is declared in the first place. But there is no precedent cited by the PTAB or Appellees or the panel of the court which remotely suggests that there should be such a preference for interference estoppel over the requirement to determine the patentability of the claims prior to declaring the interference. Such a preference would of course destroy the mandatory threshold requirement for determining patentability as it would permit interferences to be set up merely by submitting claims that cannot be allowed. In this regard, the admonitions of *Brenner* were further considered by this court in *Smithkline Beecham Corp. v. Apotex Corp.*, 403 F.3d 1331 (Fed. Cir. 2005) where the concern was enunciated that the permission of claims that were not patentable under 35 U.S.C. §101 might discourage innovation by others. Those concerns are illustrated in this dispute where Appellants' patented claims directed to patentable subject matter are attacked and cancelled in light of claims that are themselves unpatentable.

To the extent it is still relevant to the panel's consideration, Appellants respectfully continue to argue that Appellees' claims are not directed to patent subject matter. When a claim is directed to a nature-based product, the claim is

patentable only if the claim includes limitations that render the claimed subject matter “with markedly different characteristics from any found in nature”. *Association for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U. S. _____, No. 12-398, slip op. at 11-12 (2013) (citing *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 566 U. S. _____, No. 10-1150, slip op. at 1 (2012)). To show a marked difference, a characteristic must be changed as compared to nature. *Funk Bros. Seed Co. v. Kalo Inoculant Co.*, 333 U.S. 127, 130 (1948). Markedly different characteristics can be expressed as the product’s structure, function, and/or other properties. The Board interpreted “white raphide” to mean a natural compound. Even with the amendment, Appellees' claims are but a mixture of two natural compounds, which still lacks patentability in view of *Myriad*.

The Board and panel was made aware of the patentability issue presented before it and yet declined to squarely resolve the issue, contrary to the precedent of *Perkins v. Kwon* and *Brenner*. Thus, the Board erred as a matter of law due to the lack of patentability of Appellees' claims under 35 U.S.C. § 101 and declaring the '025 Interference regardless. This court should grant rehearing *en banc* to correct this error, and, at the least, vacate the PTAB decision and remand with appropriate instructions.

2. The *En Banc* Court should grant rehearing to review if a written opinion should be provided to guide further proceedings in the USPTO

It is a longstanding practice of this Court to sometimes issue Rule 36 Judgments affirming decisions of the U.S. Patent and Trademark Office without a written opinion. Such practice no doubt helps the Court address its large docket of USPTO appeals which frequently include technically and/or legally complicated issues. However, 35 U.S.C. §144 explicitly states that the Court shall review USPTO decisions "on the record before the Patent and Trademark Office" and that it "shall issue to the Director its mandate and opinion, which shall . . . govern further proceedings in this case." It follows from the language of 35 U.S.C. §144 that a written opinion should be provided to the extent necessary to clarify the record and clarify what may happen in any further proceedings in the case in the USPTO.

While Rule 36 Judgments affirming a USPTO decision may be appropriate in the many instances in which the USPTO decision is affirmed for the reasons stated in the USPTO decision, Appellants respectfully submit that a written opinion is needed in the circumstances of this appeal so that there is no confusion how further proceedings should be governed. Appellants respectfully urges the Court to grant rehearing *en banc* to address whether a written opinion should be provided in the circumstances of the '025 Interference.

Some recent scholarship suggests that a written opinion explaining the Court's reasons is required for almost all USPTO appeals. See Crouch, "*Wrongly*

Affirmed Without Opinion", Univ. of Missouri L. Stud. Research Paper No. 2017-02), <http://ssrn.com/abstract=2909007> (January 31, 2017). Appellants respectfully submit that the Court should grant rehearing to consider when a written opinion containing an explanation (beyond whether the USPTO decision is affirmed) is required. Appellants respectfully submit that written opinions are appropriate if and to the extent it is necessary to clarify the record or to govern further proceedings in the case on appeal.

V. CONCLUSION

Neither the prior interference between the parties, nor the anticipated amendment of Appellees' claims to include the "white raphide" limitation, was sufficient justification for the August 31, 2015 PTAB decision in the '025 Interference while disregarding the lack of patentability of Appellees' claims. As such, Appellants respectfully request that this Court grant rehearing and either reverse the PTAB Decision declaring the '025 Interference, or vacate it and remand with instructions to consider whether the jurisdictional prerequisites have been met. If the PTAB Decision is not reversed or vacated, then a written opinion should be provided to govern further proceedings in the USPTO relating to Appellees' claims and the "white raphide" limitation.

Dated: February 27, 2017

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ADDENDUM

NOTE: This disposition is nonprecedential.

**United States Court of Appeals
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Appellees

2016-1214

Appeal from the United States Patent and Trademark
Office, Patent Trial and Appeal Board in No. 106,025.

JUDGMENT

ROBERT BAUER, Bauer Law Offices, Erie, PA, argued
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STEPHANIE SCRUGGS, Smith, Gambrell & Russell,
LLP, Washington, DC, argued for appellees.

THIS CAUSE having been heard and considered, it is

ORDERED and ADJUDGED:

PER CURIAM (NEWMAN, MOORE, and WALLACH, *Circuit Judges*).

AFFIRMED. See Fed. Cir. R. 36.

ENTERED BY ORDER OF THE COURT

January 27, 2017
Date

/s/ Peter R. Marksteiner
Peter R. Marksteiner
Clerk of Court

CERTIFICATE OF COMPLIANCE

Pursuant to Rule 32(a)(7)(C) of the Federal Rules of Appellate Procedure, I hereby certify that I am an attorney of record on behalf of Appellants and that I personally used the “word count” feature of Open Office 4.1.3 to count the words in the foregoing **Appellants' Combined Petition for Panel Rehearing and Rehearing *En Banc*** and determined that the foregoing contains 3,567 words and is therefore in compliance with Rule 35(b)(2)(A).

In addition, the foregoing complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) and the style requirements of Federal Rule of Appellate Procedure 32(a)(6) because this brief has been prepared in a proportionally spaced typeface using Open Office 4.1.3 in 14-point Times New Roman.

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CERTIFICATE OF FILING AND SERVICE

I hereby certify that on this 27th day of February, 2017, I caused the foregoing **Appellants' Combined Petition for Panel Rehearing and Rehearing *En Banc*** to be filed electronically with the Clerk of the Court using the CM/ECF System, which will serve via email notice of such filing to the following counsel registered as CM/ECF users:

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Two copies will also be mailed to the above principal counsel on this date and eighteen copies will be filed with the Court within the time provided in the Court's rules.

Dated: February 27, 2017

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