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Federal Circuit Patent Bulletin: *SAS Institute, Inc. v. ComplementSoft, LLC*
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June 10, 2016

On June 10, 2016, in *SAS Inst., Inc. v. ComplementSoft, LLC*, the U.S. Court of Appeals for the Federal Circuit (Newman, Chen, Stoll*) affirmed-in-part, vacated-in-part, and remanded the Patent Trial and Appeal Board decision in an inter partes review that U.S. Patent No. 7,110,936, which related to an integrated development environment for generating and maintaining source code programmed in data manipulation languages, was invalid as obvious under 35 U.S.C. § 103. The Federal Circuit stated:

Claim construction seeks to ascribe the meaning to claim terms as a person of ordinary skill in the art at the time of invention would have understood them. In an IPR proceeding, claims are given their broadest reasonable interpretation in light of the specification. In construing terms, "the person of ordinary skill in the art is deemed to read the claim term not only in the context of the particular claim in which the disputed term appears, but in the context of the entire patent, including the specification." Indeed, the specification is "the single best guide to the meaning of a disputed term" and "[u]sually, it is dispositive." Thus, "claims 'must be read in view of the specification, of which they are a part.'"

The Board ultimately construed "graphical representations of data flows" as "a graphical representation comprised of icons depicting data processing steps and arrows to depict the movement of data through source code." In construing this term, the Board recognized that the specification did not use the claim term at all. The Board also recognized, however, that the specification spoke extensively about "data flow diagrams" and, in fact, defined them as comprising "icons depicting data processing steps and arrows to depict the movement of data through source code." After determining that there was no reason to conclude that the patentee meant something different between the terms "graphical representations of data flows" and "data flow diagrams," the Board used the specification's definition of data flow diagrams to construe graphical representations of data flows.

We agree with the Board's construction. SAS argues that because the Board's construction is narrow, it cannot be the broadest reasonable interpretation of the claim term. This is not so. While we have endorsed the Board's use of the broadest reasonable interpretation standard in IPR proceedings, we also take care to not read "reasonable" out of the standard. This is to say that "[e]ven under the broadest reasonable interpretation, the Board's construction cannot be divorced from the specification and the record evidence, and must be consistent with the one that those skilled in the art would reach." The broadest reasonable

interpretation here is that the claimed "graphical representation of a data flow" is commensurate with the "data flow diagram" described in the specification. . . .

As noted above, we agree with the Board's ultimate construction of the "graphical representations of data flows" claim term. The Board's procedure for arriving at this construction, however, gives us pause. . . . ComplementSoft filed its patent owner's response and identified "a diagram that depicts a map of the path of data through the executing source code" as the Board's construction for the term "graphical representations of data flows." While it argued that the Board misconstrued the "data manipulation language" term, it did not similarly argue that the Board misconstrued graphical representations of data flows. SAS's reply took issue with the construction's inclusion of the term "executing," but suggested no modifications other than to remove this term from the construction. The parties did not ask for a revised construction of "graphical representations of data flows" at the oral hearing.

The Board's final written decision acknowledged that "the parties directly disagree regarding only the construction of the term 'data manipulation language.'" Nonetheless, the Board newly construed "graphical representations of data flows" as "a graphical representation comprised of icons depicting data processing steps and arrows to depict the movement of data through source code," which varies significantly from its initial interpretation of the term as "a map of the path of data through the executing source code." In denying SAS's request for rehearing, the Board concluded that the new construction did not prejudice SAS because SAS could have made construction arguments for the term in its IPR petition.

We disagree with the Board's approach. As we have noted, IPR proceedings are formal administrative adjudications subject to the procedural requirements of the Administrative Procedure Act ("APA"). One such APA provision is that "[p]ersons entitled to notice of an agency hearing shall be timely informed of . . . the matters of fact and law asserted." SAS, as the petitioner, is entitled to this procedural protection in this instance. Although in the past we have discussed § 554(b)(3) with respect to the protection it provides to the patent owner, the provision is not so limited in an instituted IPR proceeding. First, the APA provides that this protection applies to "[p]ersons entitled to notice of an agency hearing." In an IPR proceeding, this class of persons includes the petitioner. Moreover, affording petitioners with the benefit of § 554(b)(3) is appropriate because petitioners are not disinterested parties in an IPR proceeding. Rather, petitioners stand to lose significant rights in an instituted IPR proceeding because of the estoppel effects that trigger against them if the Board issues a final written decision.

We have interpreted § 554(b)(3) in the context of IPR proceedings to mean that "'an agency may not change theories in midstream without giving respondents reasonable notice of the change' and 'the opportunity to present argument under the new theory.'" That maxim applies in this fact-specific circumstance. What concerns us is not that the Board adopted a construction in its final written decision, as the Board is free to do, but that the Board "change[d] theories in midstream." SAS focused its argument on the Board's institution decision claim interpretation, a reasonable approach considering ComplementSoft agreed with this interpretation in its patent owner's response and never suggested that the Board adopt the construction that eventually materialized in the final written decision. It is difficult to imagine either party anticipating that already-interpreted terms were actually moving targets, and it is thus unreasonable to expect that they would have

briefed or argued, in the alternative, hypothetical constructions not asserted by their opponent. This is especially true for SAS, considering the strict fifteen page limit for its reply to the patent owner's response. Finally, to be clear, it is uncertain whether SAS will ultimately be able to show unpatentability of the '936 patent claim 4 even under the construction of "graphical representations of data flows" that the Board adopted and that we agree with. That is not for us to decide today, but for the Board to examine in the first instance after hearing from the parties on the new construction.