Published on *The National Law Review* https://natlawreview.com

Federal Circuit Touches on Appellate Standing and Prior Art Determinations in the Context of Post-Grant Review Proceedings

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In CQV Co. Ltd. v. Merck Patent GmbH, the Federal Circuit addressed (1) the interaction of indemnification agreements with Article III standing for appeals of post-grant review decisions of the Patent Trial and Appeal Board; and (2) whether all evidence must be addressed by the Board when qualifying prior art.

Background

Merck Patent GmbH ("Merck") owns U.S. Patent No. 10,647,861 (the "'861 Patent"), which is directed to the composition of an additive flaking for paints, industrial and automotive coatings, printing inks, cosmetics, and effect pigments. Merck sold pearlescent pigments utilizing the invention of the '861 Patent under the trademark Xirallic.

CQV Co. Ltd. ("CQV") sells a competing pearlescent pigment under the trademark Adamas. Merck sent communications to CQV customers alleging that CQV's Adamas products potentially infringed Merck's '861 Patent. CQV petitioned the Board for post-grant review of the '861 Patent in February 2021.

Before the Board, the parties disputed several issues. One of these issues was the prior art status of an early batch of Xirallic named "Sample C." In its August 2022 final written decision, the Board held that CQV had not provided adequate evidentiary support to show that Sample C constituted prior art.

CQV appealed the decision to the Federal Circuit, arguing that the Board did not consider relevant evidence. Merck challenged CQV's Article III appellate standing.

Issues

1. Did CQV have adequate Article III standing to appeal the Board's final written decision to the Federal Circuit?
2. Did the Board err in finding that CQV failed to show, by a preponderance of the evidence, that Sample C constituted prior art against Merck's '861 Patent?

Reasoning and Outcome

(1) CQV did have adequate Article III standing to appeal the Board's final written decision to the Federal Circuit.

As the party appealing a final written decision by the Board, CQV had the burden of showing that it suffered an injury in fact sufficient to confer Article III standing. *Gen. Elec. Co. v. United Techs. Corp.*, 928 F.3d 1349, 1353 (Fed. Cir. 2019). To establish injury in fact, it is generally sufficient to show that the appellant "has engaged in, is engaging in or will likely engage in activity that would give rise to a possible infringement suit." *Grit Energy Sols., LLC v. Oren Techs.*, LLC, 957 F.3d 1309, 1319 (Fed. Cir. 2020).

CQV filed declarations alleging that CQV had entered into an indemnification agreement with at least one customer as a result of Merck's communications. According to the Federal Circuit, although Merck's communications did not identify any specific CQV product as infringing Merck's '861 Patent, standing does not require such a specific assertion of infringement by a patentee.

Because at least one customer purchased CQV's Adamas product in the US, Merck communicated with that customer, and CQV formed an indemnity agreement with that customer, CQV had established Article III standing to appeal the Board's final written decision.

(2) The Board erred in finding that CQV failed to show, by a preponderance of the evidence, that Sample C constituted prior art against Merck's '861 Patent.

In a post-grant review, the petitioner bears the burden to show that an asserted reference qualifies as prior art by a preponderance of the evidence. To meet this burden CQV presented several pieces of evidence relating to the prior art status of Sample C. The Board's decision did not address two items of testimonial evidence: testimony that Xirallic could generally be purchased by customers after it was released by quality control, and testimony that the quality control for the Adamas products required two to three weeks. The Board held that the other pieces of evidence, taken together and unrebutted, failed to establish that Sample C was probably available to the public before the April 30, 2012 critical date.

"The Board is obligated to articulate a satisfactory explanation for its action, including a rational connection between the facts found and the choice made." *Alacritech, Inc v. Intel Corp.,* 966 F.3d 1367, 1372 (Fed. Cir. 2020). "Failure to explicitly discuss every issue or every piece of evidence does not alone establish that the tribunal did not consider it," *Novartis AG v. Torrent Pharms. Ltd.*, 853 F.3d 1316, 1328 (Fed. Cir. 2017). The Federal Circuit characterized the testimony omitted by the Board as "highly material and unrebutted evidence" that Sample C was available to the public before the critical date.

Because the Board discarded this testimony evidence without explanation, the Federal Circuit could not reasonably discern whether the Board followed a proper path in determining that CQV failed to show that Sample C constituted prior art. The Federal Circuit vacated the Board's decision and remanded with instructions for the Board to explain its reasoning with respect to all the evidence presented.

National Law Review, Volume XV, Number 77