

IN RE: MAGNUM OIL TOOLS INTERNATIONAL, LTD., Appeal No. 2015-1300 (Fed. Cir. July 25, 2016). Before Newman, O'Malley and Chen. Appealed from Patent Trial and Appeal Board.

Background:

Magnum owns a patent directed to a plug used in hydraulic fracturing. McClinton filed a petition for an *inter partes* review (IPR), arguing that the claims should be found invalid as obvious over a combination of prior art. McClinton offered two separate sets of references to apply against Magnum's claims, the first including a primary reference "Alpha" and the second including a primary reference "Lehr." The secondary references to be used were the same under both bases; only "Alpha" and "Lehr" were different.

The Patent Trial and Appeal Board (PTAB) instituted the IPR, but only under the second ("Lehr") set of references, finding that McClinton had established a reasonable likelihood of success in its petition. The PTAB subsequently found the challenged claims obvious using Lehr as a primary reference.

Magnum appealed the IPR decision, arguing that the PTAB improperly shifted the burden of persuasion from McClinton to Magnum during the IPR proceedings. The USPTO intervened in the appeal.

Issue/Holding:

Did the PTAB err in finding, during an IPR proceeding, that the claims of Magnum's patent would have been obvious? Yes, reversed.

Discussion:

The Federal Circuit first dispensed with the USPTO's argument that Magnum only challenged the PTAB's decision to institute the IPR in the first place, which is unreviewable. The Federal Circuit indicated that it has jurisdiction to review the entirety of Magnum's arguments regarding the basis for the PTAB's judgment of unpatentability, even if some analysis relies on statements made when the petition was initially considered by the PTAB.

The Federal Circuit found that once the PTAB granted the IPR using the "Lehr" set of references, the PTAB effectively improperly shifted the burden to Magnum to disprove obviousness. The Federal Circuit found that many of the arguments that McClinton provided in its petition relating to Lehr were merely conclusory and insufficient to establish obviousness. The Federal Circuit emphasized that the particular structures and purposes of Alpha and Lehr are entirely different, and McClinton failed to articulate with the appropriate specificity why one would have combined Lehr with the secondary references to have reached Magnum's claimed invention.

The Federal Circuit found that McClinton failed to meet its burden of persuasion regarding obviousness, and thus Magnum need not show nonobviousness. The Federal Circuit further found that the PTAB cannot supplant the petitioner's burden of proof by adopting arguments on petitioner's behalf that the petitioner could have, but did not, raise.