Keywords: Federal Circuit, Appeals, New Arguments, Harmless error, Board Decisions.

Brief Summary: In *Watts*, the Federal Circuit ruled that arguments not presented before the Board of Patent Appeals and Interferences could not be raised for the first time on Appeal to the Federal Circuit unless a specific exception applied. This decision followed existing Federal Circuit precedent regarding Appeals from Federal District Courts to the Federal Circuit. In addition, the Federal Circuit laid out a test for determining whether errors committed by the Board could be considered harmless errors and thus did not need to be remanded back to the Board even though the Board had technically made an error.

In re Watts
69 U.S.P.Q.2d 1453 (Fed. Cir. 2004)
Decided January 15, 2004

I. Facts / Prosecution History

LaVaughn F. Watts, an employee of Texas Instruments, filed U.S. Patent Application No. 08/568,904. The '904 Application was directed to a real-time thermal management system for computers. The system was capable of monitoring CPU temperature and activity levels and was able to block some or all of the clock signals to various parts of the CPU to reduce energy consumption or heat production. Several of the claims at issue in the '904 application also recited only stopping clock signals when the CPU was performing non-critical operations. In other words, the system claimed in the '904 Application was capable of selectively slowing down parts of a CPU involved in non-critical operations if the CPU as a whole reached a certain threshold temperature.

In a Final Office Action dated October 8, 1998, the Examiner rejected claims 2, 3, 5, 6, 9, 30, 31, 34-39, 41-43, 45-47, 49-51, 53-55, 57-59, 61-63, 65-67, and 71-73 as obvious over Hollowell in view of Kikinis and Gephardt. Hollowell is directed towards a thermal management system for a computer that turns off a portion of the computer in response to temperature, Kikinis discloses a system for controlling temperature build-up in an integrated circuit by selectively stopping clock signals to control temperature, and Gephardt discloses a system in which that clock signal tempo is increased if certain system activities are detected and decreased if other system activities are detected. Based on these three references, the Examiner concluded that the claims 2, 3, 5, 6, 9, 30, 31, 34-39, 41-43, 45-47, 49-51, 53-55, 57-59, 61-63, 65-67, and 71-73 of the '904 application were obvious.

In addition, the Examiner also rejected claims 17-21 and 23 as obvious over Hollowell in view of Kikinis and Chen. Claims 17-20 recited a means for predicting temperature and controlling clock signals based on predicted temperature. The Examiner found this limitation disclosed in Chen. The Examiner did not, however, expressly address the critical I/O limitation that was recited in claims 21 and 23 even though the Examiner had cited the Gephardt reference to disclose this feature in the other claim sets.

Watts appealed the Examiner's rejections to the Board of Patent Appeals and Interferences ("the Board"). In his Appeal, Watts argued that the Gephardt reference did not teach the critical I/O limitation because that the "primary activities" referenced in the Gephardt reference were not the same as the claimed "critical I/O activities." Further, Watts argued that the Gephardt reference did not teach slowing clock speed as a function of both CPU activity and temperature. Watts also contested the Examiners rejection of claims 21 and 23 by arguing that the cited combination of references failed to teach or suggest the critical I/O limitation.

The Board sustained the Examiner's rejections. With regard to claims 21 and 23, the Board sustained the Examiner's rejection but did not explicitly address Watts's argument that the cited combination failed to teach the critical I/O limitation.

After losing the Appeal to the Board, Watts appealed the Board's decision to the Federal Circuit. In his Appeal to the Federal Circuit, Watts again made each of the arguments that he had presented to the Board. In addition, however, Watts also argued for the first time that the Gephardt reference disclosed a system in which both the primary and secondary activities were processed at full clock speed and that the only difference between the two types of activities was the amount of time that the system took to return to a slowed clock state after the activity was over. In other words, Watts argued for the first time that the Gephardt reference did not teach or suggest an apparatus capable of stopping clock signals when non-critical information was being processed but not when critical information was being processed.

II. Issues

1. Can an Appellant to the Federal Circuit raise a new argument that was not raised before the Board?

2. Is the Federal Circuit required to remand a case back the Board if the Federal Circuit determines that the Board committed an error?

III. Discussion

1. Generally No. The Federal Circuit will only entertain arguments not raised before the Board when a specific exception applies. The Federal Circuit noted that the Board "is an expert body that plays an important role in reviewing the rejection of patent applications." They noted that an Applicant for a patent is given a full and fair opportunity to present the facts necessary to support his or her position in the proceeding before the Board. Accordingly, the Federal Circuit ruled that, as with Appeals from the District Courts or other federal agencies, its decision on Appeal from the Board should be confined to the "four corners" of the record.

   As outlined in *Forshey v. Principi*, there are only four recognized exceptions to the general rule that new arguments cannot be raised on appeal. While not expressly stated by the Federal Circuit in the *Watts* case, these four exceptions are:

   (1) Cases in which a new statute altering substance or procedure has been enacted after consideration of the case by the lower court and Congress intended the retroactive application,
   (2) Cases in which there is a change in the jurisprudence of the reviewing court or the Supreme Court after consideration of the case by the lower court,
   (3) Cases in which the Court *sua sponte* applies the correct law that was not applied by the lower court or argued by the parties, and
   (4) Cases in which a party appears *pro se* before the lower court.

   Because Watts did not meet any of the requirements for raising a new argument set forth in *Forshey*, and because Watts was unable to show any other reason why the Federal Circuit should excuse his failure to raise the new argument before the Board, the Federal Circuit barred Watts from raising the new argument.

2. Not if the error was harmless. The Federal Circuit determined that the Board's error in upholding the rejection of claims 21 and 23 as obvious over Hollowell in view of Kikinis and Chen was "harmless error" because the critical I/O limitation would not render claims 21 and 23 patentable if the other claims were properly rejected.

   First, the Federal Circuit determined that the Board was clearly in error in sustaining the rejection because the critical I/O limitation is absent from the Hollowell, Kikinis, and Chen

references. Watts had argued that if the Federal Circuit determined that the rejection was made in error that claims 21 and 23 should be remanded back to the Board for a new decision. To support his position, Watts relied on *Sec. & Exch. Comm'n v. Chenery Corp.*, 332 U.S. 194, 196 (1946) which held that substituting a new ground of rejection to affirm the Board's decision "would propel the court into the domain which Congress has set aside exclusively for the administrative agency."

The Federal Circuit conceded the existence of the *Chenery* doctrine, but noted that the doctrine did not "obviate the need to consider the issue of harmless error." The Federal Circuit noted that to prevail in an Appeal, the Appellant must show not only an error but also show that the error affected the decision below. The court stated that the *Chenery* doctrine "does not require remand to the agency if it is clear that 'the agency would have reached the same ultimate result' had it considered the new ground."

The Federal Circuit noted that while new prior art rejections had necessitated a remand to the Board in a series of cases cited by the Appellant, it was not the new rejection that necessitated the remand but rather that the procedures or substance underlying the Board's decision might have been different upon remand. For example, remand was proper where the Board had considered a new ground for finding a claim obvious or where the Federal Circuit noted a new combination of the references.

In this case, however, the Federal Circuit noted that the Board was correct in finding that the Gephardt reference teaches the critical I/O limitation and that Watts had presented no argument or evidence as to why the Gephardt reference would not apply to claims in the same manner that they had applied to the properly rejected claims. In support of this, the Federal Circuit noted that Watts made the same arguments regarding claims 21 and 23 that he made for the other claims on Appeal. In addition, the Federal Circuit stated that Watts had not presented any arguments or evidence that he would seek to present if the case was remanded back the Board. As such, the Federal Circuit determined that the Board's failure to explicitly rely on Gephardt was not harmful and the case did not need to be remanded back to the Board for further consideration.

IV. Questions

1. What about presenting arguments to the Board that were not presented to the Examiner? Consider that 37 C.F.R. § 41.37(vii) doesn't make it clear one way or the other, stating only that the argument section of the Appeal Brief should contain:

   > The contentions of appellant with respect to each ground of rejection presented for review in paragraph (c) (1) (vi) of this section, and the basis therefor, with citations of the statutes, regulations, authorities, and parts of the record relied on.

2. What about presenting new issues to the D.C. District Court in a civil action to obtain a patent in accordance with 35 U.S.C. § 145?

3. How far does harmless error extend? Consider that the Federal Circuit essentially entered and then ruled on a previously unpresented rejection to claims 21 and 23. It is possible that the Chen and Gephardt references taught away from each other. At what point during the prosecution should Watts have made that argument to avoid this outcome? Is the burden now on the Applicant to argue every possible combination of the cited references for each claim?