

## Fed. Circ. Largely Backs Ford's PTAB Wins On Hybrid Patents

By **Matthew Bultman**

*Law360, New York (March 7, 2017, 9:01 PM EST)* -- The Federal Circuit on Tuesday largely upheld Patent Trial and Appeal Board decisions that invalidated claims in two Paice LLC hybrid vehicle patents, handing an early victory to Ford Motor Co. in a series of appeals between the two stemming from America Invents Act reviews.

With two separate rulings, the Federal Circuit affirmed much of four PTAB inter partes review decisions involving the Paice patents. The hybrid technology company generally argued the board lacked substantial evidence to support its finding that various claims were obvious.

"We disagree," the court wrote in one of the decisions, saying that "substantial evidence supports the board's fact findings and legal conclusions in holding the challenged claims invalid on obviousness grounds."

The lone exception came where the Federal Circuit found fault with the PTAB's reasoning finding one of the numerous claims at issue was invalid. It directed the board to consider Paice's arguments with respect to that specific claim on remand.

Attorneys for the parties declined comment or could not immediately be reached.

Paice and the Abell Foundation Inc., a Baltimore-based charitable organization that has sponsored its research, own several patents related to hybrid vehicle technology. They have filed infringement lawsuits against a number of auto companies over the years, including Ford.

The two patents involved in the Federal Circuit's rulings Tuesday are among five that Paice has described as "foundational" and "the most dominant hybrid vehicle patents in the world."

In 2015, a federal jury in Maryland decided that Hyundai Motor Co. and Kia Motors Corp. owed approximately \$29 million for violating the patented technology. Paice also previously reached a licensing deal with Toyota Motor Co.

Ford was the first automaker to test the validity of Paice's patents at the PTAB. To date, the board has issued decisions in almost two dozen Ford challenges and invalidated a number of disputed claims.

Paice has filed various appeals with the Federal Circuit challenging those decisions. The court heard arguments in some of those cases last month. A number of others are scheduled to be heard this year.

In one of the cases decided Tuesday, Paice argued, in part, that the PTAB erred in its interpretation of certain key terms of the patent. It also challenged whether there was a motive to combine some of the prior art to arrive at the claimed invention.

“Motivation to combine prior art references is a question of fact, and Paice’s arguments cannot overcome the substantial evidence relied on by the board to support its reasons for combining the references,” the court wrote, addressing the latter argument.

With respect to the claim remanded back to the board, the Federal Circuit said the PTAB invalidated it in conjunction with other claims without addressing its limitation.

In order to “allow effective judicial review ... the agency is obligated to ‘provide an administrative record showing the evidence on which the findings are based, accompanied by the agency’s reasoning in reaching its conclusions,’” the court wrote. “The board did not do that here.”

Circuit Judge Kara Farnandez Stoll partially dissented from one of the court’s decisions, saying she believed there was not substantial evidence to support the board’s conclusions about obviousness with respect to a handful of claims in one of the patents.

The Federal Circuit's rulings came one day after the U.S. International Trade Commission voted to initiate an investigation into allegations that certain hybrid vehicles imported by Ford violated Paice's patents. The two patents involved in the appeals court’s decisions were among those mentioned in the complaint.

The patents at issue are U.S. Patent Numbers 7,104,347 and 7,559,388.

Chief Judge Sharon Prost and Circuit Judge Alvin A. Schall joined Judge Stoll on the Federal Circuit panel.

Paice is represented by Ruffin B. Cordell, Timothy W. Riffe, Linda Kordziel, Daniel Tishman and Brian James Livedalen of Fish & Richardson PC.

Ford is represented by Matthew J. Moore and Gabriel Bell of Latham & Watkins LLP; and Andrew B. Turner, John P. Rondini, Frank A. Angileri and Sangeeta G. Shah of Brooks Kushman PC.

The cases are Paice LLC et al. v. Ford Motor Co., case numbers 2016-1412, 2016-1415 and 2016-1647, before the U.S. Court of Appeals for the Federal Circuit.

--Additional reporting by Ryan Davis. Editing by Aaron Pelc.