United States Court of Appeals for the Federal Circuit

HONEYWELL INTERNATIONAL INC.,
Appellant

v.

ARKEMA INC., ARKEMA FRANCE,
Appellees

2018-1151, 2018-1153

Appeals from the United States Patent and Trademark Office, Patent Trial and Appeal Board in Nos. PGR2016-00011, PGR2016-00012.

Decided: October 1, 2019

JOHN C. O'QUINN, Kirkland & Ellis LLP, Washington, DC, argued for appellant. Also represented by GREGG LOCASCIO, WILLIAM H. BURGESS, NOAH SAMUEL FRANK, CALVIN ALEXANDER SHANK.

MARK J. FELDSTEIN, Finnegan, Washington, DC, argued for appellees. Also represented by ERIN SOMMERS, MARK D. SWEET.

Before NEWMAN, REYNA, and HUGHES, *Circuit Judges*.

REYNA, *Circuit Judge.*

Honeywell appeals from a pair of post-grant review proceedings involving a single Honeywell patent. Following institution, Honeywell sought authorization from the Board to file a motion for leave to petition the Patent and Trademark Office Director for a Certificate of Correction to correct the challenged patent. Honeywell sought to correct a mistake in the chain of priority listed on the face of the patent. The Board rejected Honeywell's request. Because we conclude that the Board abused its discretion in rejecting Honeywell's request for authorization to file a motion for leave, we vacate and remand.

BACKGROUND

I. The '017 Patent

Honeywell International Inc. ("Honeywell") owns U.S. Patent No. 9,157,017 ("the '017 patent"), which is directed to fluoroalkene compounds used in refrigeration systems and other applications. The '017 patent issued on October 13, 2015, and recites a chain of priority applications dating back to 2002, all of which were incorporated by reference into the '017 patent.

During prosecution of the '017 patent, Honeywell filed a preliminary amendment that cancelled all 20 claims recited in the original application and added 20 new claims directed to admittedly different subject matter: automobile air conditioning systems. In the proceedings below, Honeywell asserted for the first time that when it made the preliminary amendment, it inadvertently failed to make corresponding amendments to the list of priority applications. J.A. 156:10–13 (asserting an "inadvertent error in failing to make a claim of priority to [certain] sister chains of cases that we could have made at that time"). As a result, when the '017 patent issued, the list of priority applications listed on the face of the patent was materially the same as the initial application.

II. Arkema's PGR2016-00012 and PGR2016-00011

Four months after the '017 patent issued, Arkema Inc. ("Arkema") filed two petitions for post-grant review ("PGR") of the '017 patent with the Patent Trial and Appeal Board ("Board") of the Patent and Trademark Office ("PTO"). Both petitions asserted that the priority applications listed on the face of the '017 patent did not provide written description support for the issued claims. As a result, Arkema argued, the claims of the '017 patent were only entitled to a priority date of March 26, 2014—the filing date of the application that led to the '017 patent—rather than the 2002 priority date that would result if the priority chain adequately supported the claims.

Based on that contention, Arkema argued that the '017 patent was eligible for PGR proceedings, which are available only for patents having at least one claim with an effective filing date on or after March 16, 2013. Arkema also presented several prior art references, including work by Honeywell's own inventors, dated from the period between 2002 and 2014.

According to Honeywell, it did not immediately realize that the alleged lack of written description support stemmed from a mistake in the priority chain. Instead, in its Preliminary Patent Owner Response to Arkema's petition, Honeywell argued that all claims of the '017 patent were entitled to a priority date at least as early as 2004 based on the priority chain listed on the patent. As a result, Honeywell claimed, the '017 patent was not eligible for PGR proceedings. The Board rejected Honeywell's argument and instituted both post-grant review proceedings.

Honeywell asserts that it realized the priority chain mistake when preparing its Patent Owner Response. Honeywell then requested permission to file a motion for leave to request a Certificate of Correction from the Director of the PTO ("Director") that would amend the priority chain

of the '017 patent. Honeywell explained that its proposed correction would include additional Honeywell patent applications in the priority chain that disclosed automotive air conditioning subject matter, and thus conferred a different priority benefit.

The Board held two telephonic conferences to discuss Honeywell's request. In response to questions from the Board, Honeywell conceded that the mistake was not a clerical or typographical error, but it argued that a Certificate of Correction is a permissible means for making "a change in the priority chain." J.A. 155:19–22. Honeywell also argued that this change was "minor" because it did not change the substance of the claims or the specification. J.A. 155:13–25. Finally, in response to the Board's questions about whether the change would satisfy the "good faith" requirement of 35 U.S.C. § 255, Honeywell explained that it learned of the incomplete priority chain for the first time after the Board issued its decision to institute. Honeywell asserts, and Arkema does not dispute, that Honeywell sought authorization from the Board to file its motion for leave "promptly upon discovering the mistake in the course of preparing its Patent Owner Responses." Appellant Br. 50–51. Honeywell sought authorization from the Board a little over a year after the '017 patent issued and less than three months after the Board instituted review.

Arkema, on the other hand, argued that the error was "not of a minor character and is not proper grounds for correction." J.A. 176:15–19. Arkema claimed that allowing Honeywell to correct this error would be "extremely prejudicial," because, among other things, Arkema's window to re-file a PGR with different prior art or different references had now closed. J.A. 162:4–165:5.

The Board rejected Honeywell's request for authorization to file a motion for leave, explaining:

> The panel has conferred and has determined at this juncture there has been a failure to show that [the]

> requirements of 255 have been met. This is not a typographical or clerical error. It's been also failed [*sic*] to show that the minor character prong has been met. We do not need to reach the issue of whether there is a good faith effort here. Furthermore, we believe that to the extent of showing prejudice in this case, it would be improper to allow such a motion to be filed at this juncture, due to the prejudice that would arise to [Arkema].

J.A. 177:12–178:2.

After rejecting Honeywell's request, the proceedings continued until the Board issued a combined Final Written Decision on August 31, 2017. The Board held that claims 1–20 of the '017 patent were unpatentable.

Honeywell timely appealed. We have jurisdiction under 28 U.S.C. § 1295(a)(4)(A).

DISCUSSION

Under the Administrative Procedure Act, we "hold unlawful and set aside agency action, findings, and conclusions found to be . . . arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law." 5 U.S.C. § 706(2)(A); *see In re Chapman*, 595 F.3d 1330, 1336–37 (Fed. Cir. 2010). The Board abuses its discretion if the decision: (1) is clearly unreasonable, arbitrary, or fanciful; (2) is based on an erroneous conclusion of law; (3) rests on clearly erroneous fact findings; or (4) involves a record that contains no evidence on which the Board could rationally base its decision. *Ultratec, Inc. v. CaptionCall, LLC*, 872 F.3d 1267, 1273 (Fed. Cir. 2017).

As a preliminary matter, we reject Arkema's assertion that the Board's decision is unreviewable under 5 U.S.C. § 701(a)(2) as agency action "committed to agency discretion by law." As we have held, § 701(a)(2) provides a "very narrow exception" to the presumption of judicial review, and is applicable only "in those rare instances where

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