New PTAB Rules, New Key Cases and Emerging Trends – Strategic Implications for PTAB Proceedings and Appeals

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Current Statistics

• Filing Rates: 100-195 Petitions Per Month
  – 4859 IPR petitions filed
  – 158 trials leaving all claims intact

• 2016 IPR Institution Rate: 67.7% decisions
  – 63% overall institution rate where institution decisions issued

• Patent Owner Preliminary Responses Filed in 84% of IPR filings

Source: USPTO
Post-Grant Trials: Patent Owners Seek Early Exit

• Limit Exposure of Expert and Declarants to Deposition
• Minimize Delay, or Avoid Stay, of Copending Litigation
• Comparative Costs
  – From Filing to Institution: $50-150k
  – Filing to Final Written Decision: $150-450k

Source: 2015 AIPLA Economic Survey
New Rules Effective May 2, 2016

• Allow Testimonial Evidence with Patent Owner Preliminary Response (e.g., 37 CFR 42.107)
• Changes to Page Limits and Word Counts (42.24)
  – Increased page limits for motions to amend, allow claims appendix
• Changes to Claim Construction for Expiring Patents (e.g., 42.100)
• Duty of Candor before Board (42.11)
• Adjustment of Deadlines for Exchange of Demonstratives (42.70)
Strategic Advantages of Early Testimonial Evidence

• Specific Cases
  – Disqualifying Prior Art for Pre-AIA Patents
  – Rebuttal Analysis Regarding Priority Date Entitlement
  – Analysis of (Lack of) Inherency

• General Cases
  – Early Supporting Arguments for Claim Construction
  – Evidence of Knowledge of Skill in the Art
  – (Lack of) Motivation to Combine
Strategic Disadvantages

- Additional Preview of Patent Owner Position to Petitioner Expert before Deposition
- Cost of Developing Declaration
- Exposure to Petitioner Reply as last word prior to institution decision
- Possible Additional Deposition Exposure
- Filing Declaration to create fact issue does not avoid institution
  - 37 CFR 42.108(c): “...a genuine issue of material fact created by such testimonial evidence will be viewed in the light most favorable to the petitioner solely for purposes of deciding whether to institute an inter partes review.”
Petitioner Replies Are Rarely Authorized

- Must (1) seek leave to file, and (2) show good cause.\(^1\)
- Good Cause: new evidence comes to light after the filing of a petition or a legal argument of first impression is made by the Patent Owner.
- 21 Motions Seeking Leave filed since May 2, 2016 (excluding informal authorization by phone): 11 granted, 10 denied
- Example scenarios where replies were authorized
  - Naming of Real Party in Interest
  - Application of one-year bar as applied to Sec. 1498 claims against the federal government
  - availability of priority claim benefit
  - status of reference as prior art under pre-AIA 103(c)
  - application of *Enfish* (101) in CBM
  - 3 replies regarding arguments directed to teaching away, technical disagreement of experts\(^1\)
- Example scenarios where replies were denied
  - Request to correct alleged misstatements of facts by Patent Owner and expert
  - Requesting opportunity to address a claim construction proposed by Patent Owner but unsupported by specification
  - Request to submit a stipulation by Patent Owner from litigation that a reference qualifies as prior art made in copending litigation

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\(^2\) Illumina, Inc. v. Cornell Research Found., Inc., IPR2016-00549; IPR2016-00553; IPR2016-00559.
Advantage of PO Declaration Use Is Case-Specific

• Macro Trends
  – Usage Rates
    • May 2016: <25%
    • June 2016: 45%
  – Outcome Effect?
    • May-June institution rate: 69.7%
      – compare to 67.7% of overall petitions in 2016
      – small sample size
Example Testimonial Evidence Application

- *Illumina, Inc. v. Cornell Research Found., Inc.*, IPR2016-00549; IPR2016-00553; IPR2016-00559
  - Dispute over whether “the nucleotide sequence of one zip code portion differs from the nucleotide sequence of another zip code portion, when aligned to each other, by at least 25% of the nucleotides” or similar limitations
  - Patent Owner expert explains claim limitation, prior art disclosures, and differences therebetween
  - Patent Owner argued that ordinary artisan would not perform an analysis of degree of uniqueness in example sequences of the prior art
  - Petitioner reply indicated that prior art examples meet the 25% limitation and provide a motivation to maintain a substantial difference in the sequences, and notes that factual disputes should be resolved for petitioner
  - PTAB denied institution based on the Patent Owner having “the better argument” on the distance between sequences.
Motions to Amend

• PTAB Study April 2016: Motions to amend granted in part or whole in 6 of 118 cases (5%)
• Requirements:
  – Reasonable number of substitute claims
  – Show support in original patent for each claim added or amended
  – Support in earlier disclosure for each claim for which benefit is sought
  – For each claim
    • Amended claim must respond to ground of unpatentability involved in the trial
    • Amended claim must not enlarge scope
  – Patent Owner must¹:
    • Show a patentable distinction over prior art
      – This includes (1) a patentable distinction over prior art not applied to that claim, but at issue in the proceeding,² and (2) a statement that the proposed claims are “patentable over prior art known to the Patent Owner, but not part of the record of the proceedings.”³
    • Show a patentable distinction over all other proposed substitute claims
    • Show a patentable distinction over a substitute claim for another challenged claim
  – Burden on Patentee to demonstrate patentability of substitute claims

1. Idle Free Sys., Inc. v. Bergstrom, IPR 2012-00027 (PTAB June 11, 2013)
Motions to Amend

<table>
<thead>
<tr>
<th>Reasons Based in Whole or Part on 35 U.S.C.:</th>
<th># of Cases</th>
<th>Pct</th>
</tr>
</thead>
<tbody>
<tr>
<td>101 Non-Statutory Subject Matter</td>
<td>7</td>
<td>6%</td>
</tr>
<tr>
<td>112(a) Written Description</td>
<td>9</td>
<td>8%</td>
</tr>
<tr>
<td>112(b) Definiteness</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td>102/103 Anticipated/Obvious Over Art of Record</td>
<td>41</td>
<td>35%</td>
</tr>
<tr>
<td>316(d)(3) Claims Enlarge Scope of Patent</td>
<td>6</td>
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<tr>
<td>316(d)(1)(B) Unreasonable # Substitute Claims</td>
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<td>3%</td>
</tr>
<tr>
<td>Multiple Statutory Reasons Given**</td>
<td>27</td>
<td>23%</td>
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<table>
<thead>
<tr>
<th>Reasons Based Solely on Procedure:</th>
<th># of Cases</th>
<th>Pct</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cases Where Only Procedural Reasons Given</td>
<td>22</td>
<td>19%</td>
</tr>
</tbody>
</table>

Totals: 116 100%
Motions to Amend – Loosening Restrictions?

• *In re Aqua Products* (en banc) (forthcoming): Addressing burdens of persuasion, production regarding patentability of amended claims

• *Veritas Techs. LLC v. Veeam Software Corp.*, 2015-1894 (Fed. Circ. Aug. 2016): Acceptable to establish that newly added features *in combination with other known features* were not in the prior art.
Secondary Considerations – Establish a Record for Appeal

- Of 547 cases mentioning secondary considerations, 4 found adequate showing to uphold claim.
  - Often, nexus requirement is not established, either due to alleged nexus associated with features in the prior art, lack of significant sales, lack of showing of efforts to replicate commercial product
  - Successful patent owners include declaration evidence and specific additional documents supporting specific factors (commercial success, copying).
  - Admission regarding commercial embodiment of the claims
  - Admission regarding nexus between success and commercial embodiment of patented product obtained during trial
Petitioner Estoppel – Pre-Filing Care Is Required

• Petitioner Estoppel prevents repeated challenge under 315(e)(1) as to grounds that “petitioner raised or reasonably could have raised”.
  – This includes “prior art which a skilled searcher conducting a diligent search reasonably could have been expected to discover.” 157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011).
• Reliance on a third party searcher is inadequate. Praxair Dist., Inc. v. iNO Therapeutics LLC, IPR2016-00781 (PTAB Aug. 25, 2016):
  – List of search results from search firm submitted in second petition to establish that search firm did not find references
  – No level of skill of searcher provided
  – References from the same author were cited during prosecution
  – References were readily available in many libraries
• Compare Clearlamp, LLC v. LKQ Corporation, No. 12-cv-2533 (N.D. Ill.) (Mar. 18, 2016): adequate “(1) to identify the search string and search source that would identify the allegedly unavailable prior art and (2) present evidence, likely expert testimony, why such a criterion would be part of a skilled searcher’s diligent search.”
APPELLATE REVIEW OF PTAB DECISIONS
PTAB Appeals to Federal Circuit Increasing

United States Court of Appeals for the Federal Circuit
Appeals Filed in Major Origins

Notes: Includes reinstated, cross-, and consolidated appeals.
Outcomes

• Because of deferential standard of review, Federal Circuit heavily affirms PTAB decisions, mostly under Rule 36 (affirmance without decision)

• Through September 1, 2016:
  – 61 Rule 36 affirmances (54%)
  – 52 decisions with opinion
  – 29 affirmances
    • 8 reversed or vacated
    • 10 mixed outcome
    • 5 dismissed
Issues to Appeal

• Legal issues > factual issues > evidentiary issues
  – Issues of law reviewed de novo\(^1\)
    • Legal standards, statutory interpretation, claim construction, obviousness, enablement
  – Issues of fact reviewed for substantial evidence\(^2\)
    • Facts underlying obviousness, anticipation, written description
  – Evidentiary rulings for abuse of discretion\(^3\)
• Keep unsettled issues alive

1. In re Cuozzo Speed Techs., LLC, 778 F.3d 1271, 1283 (Fed. Cir. 2015).
When Federal Circuit Reverses....

• **Cutsforth**\(^1\) - reversed b/c no reasonable fact finder could have found anticipation

• **Arendi**\(^2\) - reversed b/c PTAB misused “common sense” to find obviousness

• **Black & Decker**\(^3\) - reversed in part b/c PTAB failed to adequately state why a person of ordinary skill in the art would have modified the prior art

• **In re Magnum Oil Tools**\(^4\) – reversed b/c PTAB shifted burden of obviousness, used wrong standard, and factual findings were not supported

• **Belden**\(^5\) – found more claims should have been obvious

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When Federal Circuit Vacates….

- Vacate and remand because PTAB did not “sufficiently articulate” reasoning behind its decision\(^1\)
  - PTAB can reach same result on remand
- Vacate and remand for wrong claim construction\(^2\)
  - PTAB can reach same result (and has)\(^3\)
- Vacate and because of no notice of new claim construction\(^4\)
  - PTAB can reach same result

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Avoid Rehearing Requests

• As a general matter, do not request rehearing from unfavorable final written decision—just appeal
  – PTAB unlikely to flip on rehearing (but in the right situation, it can happen)\(^1\)
  – Rehearing gives PTAB opportunity to strengthen its decision against you and fix any appealable issues
• ... but it may be only option if case not instituted\(^2\)
  – Institution of a post-grant proceeding is “final and nonappealable” (Cuozzo)\(^3\)

Deadlines / Filing Requirements

• Must file a timely notice of appeal (jurisdictional)
  – Within 63 days of the final Board decision\(^1\)
  – Filed with the Director, copy to PTAB, 3 copies to Federal Circuit clerk, one copy on all parties\(^2\)
  – Pay docketing fee ($500)\(^3\)
  – Provide information sufficient for Director to decide whether to intervene\(^4\)
    • USPTO will participate in significant cases and will defend if challenger does not

• Cross-appeal within 14 days of notice of appeal\(^5\)

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1. 37 C.F.R. § 90.3(a); Fed. Cir. R. 15(a)(1); 35 U.S.C. § 142; 37 C.F.R. § 1.304(a)(1)
2. 37 C.F.R. § 90.2(a); Fed. Cir. R. 15(a)(1); 37 C.F.R. § 1.983; 37 C.F.R. § 1.302(e).
Standing

• Participation in PTAB proceeding ≠ standing in Federal Circuit
  – No standing requirement in PTAB (agency) proceedings
  – The Federal Circuit has jurisdiction over appeals from PTAB\textsuperscript{1}
    • Jurisdiction in appellate court requires an actual case and controversy\textsuperscript{2}
    • A party can pursue a proceeding before the agency but lack standing before the circuit court\textsuperscript{3}

\textsuperscript{1} 35 U.S.C. § 141(c); 28 U.S.C. § 1295(a)(4)(A).
\textsuperscript{2} U.S. Constitution, Article III, Sec. 2.
\textsuperscript{3} Consumer Watchdog v. Wi. Alumni Research Found., 753 F.3d 1258 (Fed. Cir. 2014).
Appellate Strategy

• The same general strategies for appeal briefs and oral arguments apply
  – Appellants: avoid multi-issue appeals, make legal arguments, keep it simple and clean
  – Appellees: avoid cross-appeals, reframe the issues, focus on facts, emphasize the deferential standard of review, defend the PTAB
  – Oral “argument” is actually a discussion

Further resources:
  • http://www.law360.com/articles/464075/3-tips-for-any-fed-circ-appeal
Questions?

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