

PTAB Strategies and Insights

July 2020



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The PTAB Strategies and Insights newsletter provides timely updates and insights into how best to handle proceedings at the USPTO. It is designed to increase return on investment for all stakeholders looking at the entire patent life cycle in a global portfolio.

This month we cover:

- How the Federal Circuit authorizes the PTAB to consider patent eligibility challenges to substitute claims presented in motions to amend;
- The POP answering two outstanding questions regarding motion to amend practice; and
- The PTAB's objective indicia of non-obviousness analysis under *Fox Factory* designated as precedential.

We welcome feedback and suggestions about this newsletter to ensure we are meeting the needs and expectations of our readers. So if you have topics you wish to see explored within an issue of the newsletter, please reach out to me.

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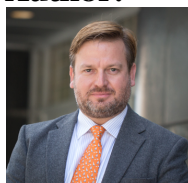
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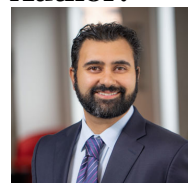
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FEDERAL CIRCUIT CONFIRMS PTAB'S ABILITY TO CONSIDER SUBJECT MATTER ELIGIBILITY OF PROPOSED SUBSTITUTE CLAIMS IN IPR PROCEEDINGSBy: [Roozbeh Gorgin](#)

On July 22, 2020, the U.S. Court of Appeals for the Federal Circuit (Federal Circuit) issued an opinion in [Uniloc 2017 LLC v. Hulu, LLC & Netflix, Inc.](#), No. 2019-1686 (Fed. Cir. 2020) authorizing the U.S. Patent Trial & Appeals Board (PTAB), in *inter partes* review (IPR) proceedings, to consider patent eligibility challenges to substitute claims presented in motions to amend. The opinion clarifies whether substitute claims should be analyzed for invalidity under the same limited framework as the original claims petitioned on—namely analyzed only under §§ 102 and 103 and only on the basis of prior art consisting of patents or printed publications, as required under 35 U.S.C. § 311(b), which sets forth the general scope of IPR proceedings—and is significant because it expands the invalidity arguments available to petitioners and the PTAB in IPRs.

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MOTIONS TO AMEND POST *HUNTING TITAN*By: [Roozbeh Gorgin](#) and [Jason D. Eisenberg](#)**Background and Summary**

The Patent Trial and Appeal Board's (PTAB) obstacles to successful motions to amend have been daunting. As [published](#) previously, filing motions to amend have historically been an exercise in futility due to their low chance of success. But since 2019 the PTAB has taken steps to overhaul the motion to amend system, such as implementing its pilot program on motions to amend[i]. And the PTAB recently finished an in-depth study to better understand how motions are filed and the reasons they are granted or denied.[ii]

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NEXUS: THE PTAB'S OBJECTIVE INDICIA OF NON-OBVIOUSNESS ANALYSIS UNDER FOX FACTORY DESIGNATED AS PRECEDENTIALBy: [Trent W. Merrell](#), [Trey Powers, Ph.D.](#), and [Jason D. Eisenberg](#)

As reported in our December 2019 newsletter, in *Lectrosonics v. Zaxcom*^[i] the Patent Trial and Appeal Board (PTAB or Board) granted Zaxcom's motion to amend and, under a nexus-analysis framework, found each of the substitute claims to be patentable because there was sufficient nexus between the objective indicia and the claims. After the December article published, the Board's analysis under *Fox Factory*^[ii] regarding nexus to objective indicia of non-obviousness was made precedential.



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By: [Roozbeh Gorgin](#)

On July 22, 2020, the U.S. Court of Appeals for the Federal Circuit (Federal Circuit) issued an opinion in *Uniloc 2017 LLC v. Hulu, LLC & Netflix, Inc.*, No. 2019-1686 (Fed. Cir. 2020) authorizing the U.S. Patent Trial & Appeals Board (PTAB), in *inter partes* review (IPR) proceedings, to consider patent eligibility challenges to substitute claims presented in motions to amend. The opinion clarifies whether substitute claims should be analyzed for invalidity under the same limited framework as the original claims petitioned on—namely analyzed only under §§ 102 and 103 and only on the basis of prior art consisting of patents or printed publications, as required under 35 U.S.C. § 311(b), which sets forth the general scope of IPR proceedings—and is significant because it expands the invalidity arguments available to petitioners and the PTAB in IPRs.

Background and Summary

In response to an IPR petition filed by Hulu, LLC and Netflix, Inc. (collectively Petitioners) challenging claims of U.S. Patent No. 8,566,960 ('960 patent), patent owner Uniloc 2017 LLC (Uniloc) filed a motion to amend requesting the PTAB to enter substitute claims for the independent claims.[i] Petitioners opposed the motion arguing, among other things, that the substitute claims are directed to patent-ineligible subject matter under § 101.[ii] In its Final Written Decision, the PTAB, in addition to explaining why the challenged original claims were unpatentable, denied Uniloc's motion to amend the substitute claims, concluding that the substitute claims were unpatentable because they didn't meet the standards for eligibility under § 101.[iii] Uniloc filed a motion to rehear the case, arguing that the PTAB misapprehended the law in concluding it is permissible in an IPR proceeding for the PTAB to consider a § 101 challenge.[iv] The PTAB denied Uniloc's motion for rehearing concluding that it is authorized to analyze proposed substitute claims under § 101 patent eligibility.[v] Uniloc appealed the decision.

Determining if the issues were moot

At the outset, the Federal Circuit had to address whether it could even reach the question of whether the PTAB can deny a motion to amend based on the substitute claims not meeting the § 101 threshold, in light of a district court invalidating all the original claims of the '960 patent and the Federal Circuit's affirmance of that decision after the Final Written Decision was issued

in the IPR.[vi]

Holding that the issues in the current appeal were not moot in light of the invalidation of the original claims, the Federal Circuit reasoned: (1) Petitioners had waived any arguments in this respect because Petitioners “did not argue that the PTAB could not reach the motion to amend because the motion had to be read as resting on a contingency (finding the specified original claims unpatentable) that would already have ended the IPR,”[vii] and (2) “it would be unprecedented, and contrary to the established practice of considering contingent motion to amend, to treat the contingency (finding original claims unpatentable) as ending the IPR so that the proposed substitute claims could no longer be considered.”[viii] The Federal Circuit held that the issues related to the substitute claims were detached from the issues related to the original claims and if Uniloc prevailed on those would provide Uniloc with “effectual relief”.[ix]

Authorizing the PTAB to consider patent eligibility challenges to substitute claims

In authorizing the use of § 101 to analyze substitute claims, the Federal Circuit held that the “text, structure, and history” of the IPR statutes did not limit the PTAB’s ability to review proposed substitute claims in an IPR under § 101.[x]

First, the Federal Circuit held that the IPR statutes “plainly and repeatedly require the PTAB to determine the ‘patentability’ of the proposed substitute claims,” and “patentability” includes “a § 101 analysis.”[xi] The court further held that a review of § 311 indicates that that section is “confined to the review of existing patent claims, not proposed ones” because “it limits [a] request to *cancel* as unpatentable [one] or more *claims of a patent*,”[xii] but “does not so limit the PTAB’s evaluation of proposed substitute claims.”[xiii]

Second, relying on the structure of the IPR statutes, the Federal Circuit reasoned that § 311, “as a provision appl[ies] to the petition phase of the proceedings, [and] should not [] bind a separate adjudication-state provision, such as § 316”—the section regarding motions to amend. [xiv]

Third, the Federal Circuit held that proposed substitute claims in an IPR proceeding have not undergone a patentability review by the U.S. Patent & Trademark Office (USPTO) and so “‘substantial new questions of patentability’ that ‘have not previously been considered by the [US]PTO’ includ[ing] all patentability questions, including § 101 patent eligibility”, are outstanding and “[p]rohibiting the PTAB from reviewing patent eligibility would indeed ‘strip[] [the PTAB] of a critical legal tool[.]’”[xv]

The Federal Circuit went on to affirm the PTAB’s decision invalidating the substitute claims.

Takeaway

The *Uniloc 2017* decision further expands the scope of IPR proceedings by giving petitioners and the PTAB more tools to invalidate patents. Motivating the Federal Circuit’s decision was the notion that because the proposed substitute claims have not been assessed for patentability by the USPTO, they need to be reviewed comprehensively by the PTAB as if they were being examined for the first time.[xvi] This comprehensive examination includes at least a § 101 analysis.

[i] *Uniloc 2017*, No. 2019-1686, slip op. at 8.

[ii] *Id.*

[iii] *Id.*

[iv] *Id.* at 2-3.

[v] *Id.*

[vi] *Id.* at 8 n. 4.

[vii] *Id.* at 11-12.

[viii] *Id.* at 13.

[ix] *Id.* at 12.

[x] *Id.* at 15.

[xi] *Id.*

[xii] *Id.* at 16 (italics and insertions in original).

[xiii] *Id.*

[xiv] *Id.* at 17.

[xv] *Id.* at 18.

[xvi] *Id.* at 19-20

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MOTIONS TO AMEND POST *HUNTING TITAN*

By: [Roozbeh Gorgin](#) and [Jason D. Eisenberg](#)

Background and Summary

The Patent Trial and Appeal Board's (PTAB) obstacles to successful motions to amend have been daunting. As [published](#) previously, filing motions to amend have historically been an exercise in futility due to their low chance of success. But since 2019 the PTAB has taken steps to overhaul the motion to amend system, such as implementing its pilot program on motions to amend[i]. And the PTAB recently finished an in-depth study to better understand how motions are filed and the reasons they are granted or denied.[ii]

Aside from rulemaking, on July 6, 2020 the Precedential Opinion Panel (POP) issued [Hunting Titan, Inc. v. DynaEnergetics Europe GmbH](#), IPR2018-00600, Paper 67 (PTAB July 6, 2020) that answered two outstanding questions regarding motion to amend practice:

- (a) Under what circumstances and at what time during an *inter partes* review may the Board raise a ground of unpatentability that a petitioner did not advance or insufficiently developed against substitute claims proposed in a motion to amend?
- (b) If the Board raises such a ground of unpatentability, whether the Board must provide the parties notice and an opportunity to respond to the ground of unpatentability before the Board makes a final determination.

In addressing the first question, the POP held the PTAB does have “the ability to raise a ground of unpatentability a petitioner has not advanced or has insufficiently developed” *sua sponte*. However, the POP also indicated that it “*should* do so only under rare circumstances.”[iii] These rare circumstances are limited situations in which the adversarial system, which underlies the *inter partes* review system, “fails to provide the Board with potential arguments for unpatentability of the proposed substitute claims.”[iv] This includes situations “where petitioner chooses not to oppose the motion to amend” or “where certain evidence of unpatentability has not been raised by the petitioner, but is readily identifiable and persuasive such that the Board should take it up in the interest of supporting the integrity of the patent system.”[v]

In addressing the second question, the POP further held that “due process requires that a patent owner receive notice of how the prior art allegedly discloses the newly-added limitations of each proposed substitute claim, as well as a theory of unpatentability asserted against those claims.”[vi] “And the patent owner must have the opportunity to respond to those factual

allegations and legal theories.”[vii] This requirement is met only when patent owner is given “some explanation—from the petitioner when opposing a motion to amend or, in rare circumstances, the Board—of how the prior art allegedly meets the newly-added limitations.”[viii] It cannot, however, be given by pointing to the grounds asserted in the petition against the original claims and claiming that the arguments provide sufficient notice to a patent owner that the Board may apply the same ground against the newly-proposed substitute claims as petitioner in *Hunting Titan* attempted to do.[ix]

The PTAB’s Ability to Raise New Grounds

The POP’s reasoning that the PTAB has the ability to raise new grounds of unpatentability *sua sponte* held “the Board should not be constrained to arguments and theories raised by the petitioner in its petition or opposition to the motion to amend....Otherwise, were a petitioner not to oppose a motion to amend, the Patent Office would be left with no ability to examine the new claims.”[x]

In determining *under what circumstances* the PTAB should raise such arguments, the POP relied heavily on the notion that the adversarial process underlies the *inter partes* review system and generally the parties are in a better position to make the best arguments for their parties’ desired outcomes. Therefore, placing the burden on the PTAB to raise arguments *sua sponte* generally diminishes the incentives for petitioner to fully and cogently explain the basis for concluding the proposed substitute claims are unpatentable.[xi] As a result, in most instances it is inappropriate for the PTAB to raise arguments *sua sponte* regarding patentability because it undermines the adversarial process envisioned by Congress. The POP, however, realized that there are instances where, in the interest of supporting the integrity of the patent system, it would be appropriate for the PTAB to raise such arguments. Such situations include: (1) where a petitioner chooses not to oppose the motion to amend, and (2) where the record readily and persuasively establishes that substitute claims are unpatentable for the same reasons that corresponding original claims are unpatentable.[xii] Therefore, in limited circumstances the PTAB is allowed to raise arguments regarding patentability *sua sponte*.

In this case, the original PTAB panel had raised its own ground of anticipation against the proposed substitute claims. Based on the legal framework it set forth, the POP ultimately held that the original panel in this case should not have raised its own grounds related to unpatentability because the situations outlined in (1) and (2) above did not exist.[xiii]

Notice and Ability of Patent Owner to Respond

In determining the requisite notice to be given to patent owners, the POP recognized that neither party disputed that some form of notice should be given to patent owners.[xiv] Recognizing that due process required “the patent owner must have an opportunity to respond to those factual allegations and legal theories” attacking its patent, the POP suggested that once allegations and theories seeking to invalidate the patent were put forth, the patent owner should be given an opportunity to respond to these. Giving two possible paths to do so, the POP suggested either: (1) allowing the patent owner to provide supplemental briefing, or (2) holding an oral hearing to address the issues.[xv]

The POP went on to indicate that in this case, “even if this were a case in which the Board should have raised [unpatentability arguments] on its own, the parties lacked adequate notice of such an issue with respect to the proposed amended claims” and therefore the notice requirement was not met.

Takeaway

The POP balanced promoting motions to amend with the PTAB’s need to protect the public through a framework that both allows the PTAB to make arguments in limited circumstances when there are glaring validity issues, while also giving patent owners the ability to respond to these arguments so as to not violate their due process rights.

[i] See <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/new-pilot-program-concerning-motions>

[ii] See <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/motions-amend-study>

[iii] *Hunting Titan*, IPR2018-00600, Paper 67, 5.

[iv] *Id.* at 12.

[v] *Id.* at 12-13.
[vi] *Id.* at 15.
[vii] *Id.*
[viii] *Id.*
[ix] *Id.*, 14.
[x] *Id.* at 7-8.
[xi] *Id.* at 11-12.
[xii] *Id.* at 12-13.
[xiii] *Id.* at 25-26.
[xiv] *Id.* at 14.
[xv] *Id.* at 14-15.

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By: [Trent W. Merrell](#), [Trey Powers, Ph.D.](#), and [Jason D. Eisenberg](#)

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The Board found that for objective indicia of nonobviousness to be accorded substantial weight, Patent Owner must establish a nexus between the evidence and the merits of the claimed invention. That is, a patentee is entitled to a presumption of nexus "when the patentee shows that the asserted objective evidence is tied to a specific product and that product 'embodies the claimed features, and is coextensive with them.'^[iii]

The purpose of the coextensiveness requirement is to ensure that the patentees product is tied to the patentable claim language and not to claimed features that were already known in the art. For example, a patent is not coextensive with a patentee's product when that product includes a "critical" unclaimed feature that is claimed by a different patent.

If the coextensiveness requirement cannot be met, a patent owner can still prove nexus by showing that the "evidence of secondary considerations is the 'direct result of the unique characteristics of the claimed invention.'^[iv] But there must still be "a nexus to some aspect of the claim not already in the prior art."^[v] In other words, if the argued secondary considerations actually result from features that are not claimed, there is no nexus to the merits of the claimed invention.

Finally, the Board must also weigh the secondary considerations evidence presented in the context of whether the claimed invention as a whole would have been obvious to a skilled artisan.^[vi]

Here, as we previously reported,^[vii] the challenged claims recited systems and methods for "combining" locally recorded audio data with remotely recorded audio data using a wearable device. The PTAB did not find Zaxcom's evidence of objective indicia of non-obviousness sufficient because, the proffered evidence related to the elimination of "dropouts," which are caused by a loss of audio data. In contrast, the challenged claims were broader, encompassing

situations where audio data is merely “combined,” without necessarily having any tie to a drop out event.

The PTAB further held that Zaxcom’s amended claims did have a sufficient nexus to the praise its commercial embodiment received because the amended claims specifically recite “replacing” audio data with locally recorded audio data. According to the PTAB, Zaxcom received industry praise for the “replacing” feature. Indeed, Zaxcom showed that its inventors received a technical Emmy award from the National Academy of Television Arts and Sciences for its commercial product. The Emmy related to the product’s ability to eliminate “dropouts” by “replacing” audio data and thereby dramatically simplify the recording process. And both parties’ experts agreed that the industry praise related to the elimination of “dropouts” afforded by the invention.

In *Fox Factory*, the Federal Circuit raised the “nexus” bar, making it more difficult for patent owners to prove that the objective indicia of non-obviousness of a product being sold by the patentee is essentially the claimed invention. With the USPTO designating *Lectrosonics* as precedential, it looks as though the higher bar is here to stay.

[i] *Lectrosonics, Inc. v. Zaxcom, Inc.*, Case IPR2018-01129, Paper 33 (Jan. 24, 2020) (Precedential).

[ii] *Fox Factory, Inc. v. SRAM, LLC*, 944 F.3d 1366, 1373 (Fed. Cir. 2019)

[iii] *Id.* at 61 (citing *Fox Factory* at 1373).

[iv] *Id.* at 33.

[v] *Id.*

[vi] *Id.*

[vii] <https://www.sternekeessler.com/news-insights/publications/amending-claims-ipr-objective-indicia-may-be-strategic-guide-post>

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