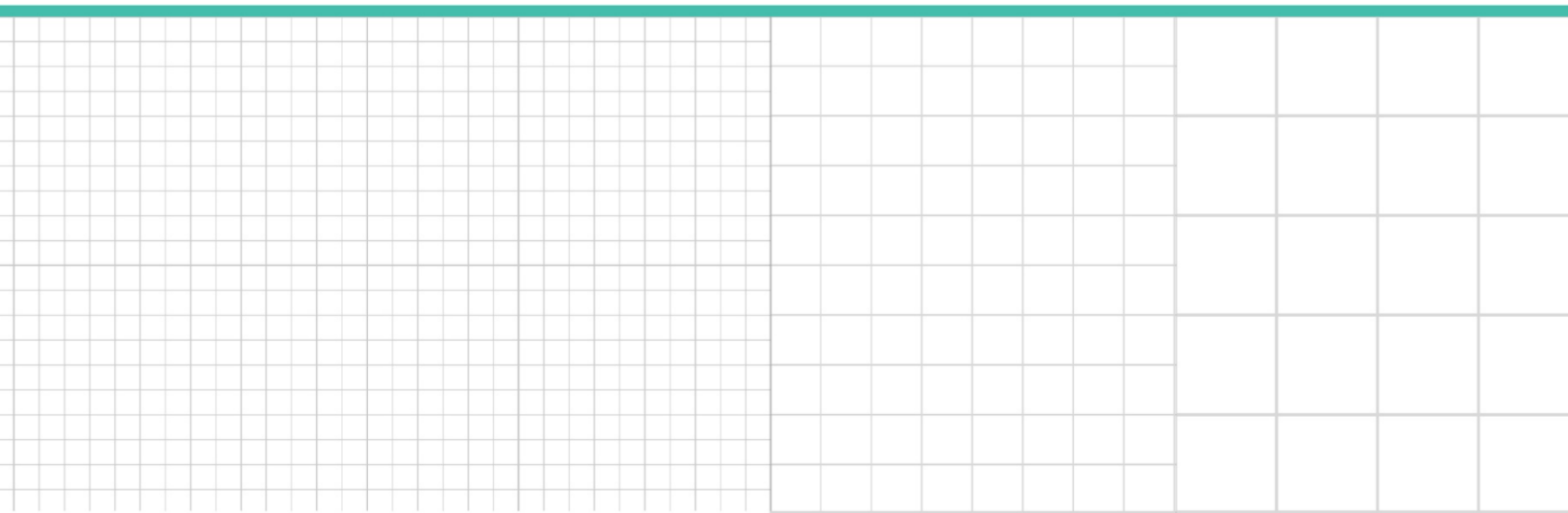


Professional Perspective

The PTAB and New Grounds of Unpatentability

*Heather M. Petruzzi and Gary M. Fox,
WilmerHale*

Reproduced with permission. Published September 2020. Copyright © 2020 The Bureau of National Affairs, Inc. 800.372.1033. For further use, please visit: <http://bna.com/copyright-permission-request/>



The PTAB and New Grounds of Unpatentability

Contributed by [Heather M. Petruzzi](#) and [Gary M. Fox](#), WilmerHale

The Patent Trial and Appeal Board's Precedential Opinion Panel issued its decision in [Hunting Titan, Inc. v. DynaEnergetics Europe GmbH](#), No. IPR2018-00600 on July 6, 2020. The decision is only the fourth precedential opinion that the panel has written. The case involves an inter partes review brought by Hunting Titan against DynaEnergetics, which owns U.S. Patent No. 9,581,422. DynaEnergetics filed a contingent motion to amend certain claims of the 422 patent if the board held them unpatentable. In the final written decision, the board determined that all claims, including the amended claims, were unpatentable.

This article examines the panel's decision and its potential impact on patent owners and petitioners. It concludes by exploring some trends that have emerged in the panel's early decisions.

Background

The panel granted a review of the board's final written decision to consider whether the board may reject substitute claims on unpatentability grounds that were not presented or insufficiently developed. If so, the panel would also need to consider whether the board must follow certain procedures to provide notice to the parties and an opportunity to respond to those new grounds.

Ultimately, the panel held that the board has the power to raise new unpatentability grounds in response to a patent owner's motion to amend, but that doing so should be rare. It also held that the board must give the patent owner an opportunity to be heard on any new grounds. Because the panel determined that the board improperly raised a new ground in this case, it granted DynaEnergetics' motion to amend, concluding that the substitute claims were patentable.

Motions to Amend

An inter partes review (IPR) is different from other proceedings before the U.S. Patent and Trademark Office because, as the name indicates, it involves adverse parties presenting different views. Although IPRs resemble traditional litigation in many respects, they are still administrative proceedings before an agency with deep subject-matter expertise.

That procedural design permits a feature that would not be available in district court: under [35 U.S.C. § 316\(d\)\(1\)\(B\)](#), the owner of a challenged patent is permitted to "propose a reasonable number of substitute claims" for every challenged claim. By filing a motion to amend, the patent owner may walk away from an IPR with enforceable patent rights even if the original claims do not survive.

The Precedential Opinion Panel

The panel was established in fall 2018. One of its main functions is to determine which board decisions should be designated (or de-designated) as precedential or informative. This article focuses on the panel's other main function, which is to review notable board decisions in ongoing trials. More specifically, the panel reviews board decisions involving "issues of exceptional importance," particularly "issues involving agency policy or procedure." [Standard Operating Procedure 2](#) at 1. The panel's decisions are binding precedent for all future proceedings before the board, unless the panel later de-



The 422 patent describes a detonator assembly that fits inside

to flow to the earth's surface. Generally speaking, the 422 patent describes and claims a detonator assembly that fits inside

a perforating gun assembly. According to the specification, the '422 patent's advance over the prior art is that the perforating gun assembly and the detonator assembly connect simply by coming into contact with each other.

Procedural History

DynaEnergetics sued Hunting Titan in the Southern District of Texas for infringement of the '422 patent. See *DynaEnergetics GmbH & Co. v. Hunting Titan, Ltd.*, No. 4:17-cv-03784 (S.D. Tex.). In response, Hunting Titan filed a petition for an inter partes review of all 15 claims of the '422 patent. See Paper 1. (All papers in this case are available [here](#).) The district court stayed the Texas case pending the board's resolution of the IPR.

Hunting Titan's petition asserted 16 separate grounds of unpatentability for various claims. The first ground asserted that claims 1-15 are all anticipated under [35 U.S.C. § 102](#) by a reference called "Schacherer," and the second ground asserted that 10 of those claims are anticipated by a reference called "Lanclos." The other 14 grounds asserted that claims 1-15 are unpatentable for obviousness under [35 U.S.C. § 103](#). Those grounds asserted different theories with various combinations of prior-art references, all of which involved either Schacherer or Lanclos. The board instituted review of all 15 claims. See Paper 10.

DynaEnergetics filed a contingent motion to amend original claims 5-11 by replacing them with substitute claims 16-22, assuming that the board held original claims 5-11 unpatentable. See Paper 19. According to the motion, the substitute claims are narrower than the original claims because the substitute claims require a perforating gun assembly with three limitations: "a perforating gun housing," "a carrying device position within the perforating gun housing to hold at least one shaped charge," and "a detonator assembly contained entirely within the perforating gun housing."

In its final written decision, the board determined that claims 1-15 are all unpatentable as anticipated by Schacherer. See Paper 42. Turning to the contingent motion to amend, the board determined that the substitute claims are also unpatentable. Although Hunting Titan's opposition to DynaEnergetics' motion to amend focused exclusively on obviousness (see Paper 25), the board held that proposed claims 16-22 are anticipated by Schacherer. DynaEnergetics sought rehearing, arguing that the board's reliance on an anticipation ground was procedurally unfair given that Hunting Titan had not pressed it. See Paper 44. The board denied rehearing.

Review by the Precedential Opinion Panel

When DynaEnergetics requested board rehearing, it also submitted a request seeking the panel's review of the board's decision. See Paper 45. The panel agreed to review the case (see Paper 46) to consider two related issues:

- "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?"
- "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."

The panel received full briefing from the parties, plus five amicus briefs. See Papers 51-58. It heard oral argument in February 2020. See Paper 63. After the hearing, the Federal Circuit released its [decision](#) in *Nike, Inc. v. Adidas AG*, [955 F.3d 45](#) (Fed. Cir. 2020), which held that "the Board may sua sponte identify a patentability issue for a proposed substitute claim based on the prior art of record." The panel ordered supplemental briefing for the parties to address *Nike*. See Paper 64. It issued its *Hunting Titan* [decision](#) on July 6, 2020. See Paper 67.

First, the panel held that the board has the power to raise new grounds of unpatentability for substitute claims. The panel emphasized that IPR proceedings differ from traditional adversarial litigation in an important respect: they give patent owners the ability to amend claims. As the Federal Circuit explained in *Nike*, it would be odd if the board were unduly limited in its ability to review claims that were previously unexamined. Because the Federal Circuit had already addressed this point, the panel's first holding was a foregone conclusion.

Second, the panel considered when it is appropriate to raise new grounds of unpatentability for substitute claims. The panel concluded that the board should do so "only under rare circumstances." It rejected Hunting Titan's argument that the board must undertake a thorough investigation of all proposed substitute claims. The panel explained that it is

important for there to be incentives for the petitioner to present its best unpatentability arguments. When there is a failure of the adversarial system, then it is appropriate for the board to step in and to provide its own assessment of the claims. For example, if the petitioner declined to oppose a motion to amend, then the board's review would be more searching.

Third, the panel noted the consensus that the board must provide the parties with an opportunity to respond to new unpatentability grounds. In the panel's view, patent owners should not be required to guess which grounds in the petition might be applied to substitute claims. Echoing two possibilities discussed in *Nike*, the panel remarked that the board could order supplemental briefing or could ask the parties to be prepared to discuss a new ground at an oral hearing.

Applying those principles to this case, the panel determined that the board did not properly raise the new anticipation ground against DynaEnergetics' substitute claims after *Hunting Titan* exclusively pressed an obviousness ground. The panel emphasized that *Hunting Titan* affirmatively decided not to raise the anticipation ground in its opposition to DynaEnergetics' motion to amend.

The panel did not believe that it was allowing substitute claims known to be unpatentable because, for example, there was insufficient evidence that Schacherer discloses a claim limitation involving how the components of the invention fit together. Reviewing the obviousness arguments from *Hunting Titan*'s opposition, the panel concluded that *Hunting Titan* did not offer any theory as to why a relevant artisan would have been motivated to combine the claim limitations disclosed in the prior art. Accordingly, the panel granted DynaEnergetics' motion to amend.

Implications

The upshot of the panel's decision is that patent owners can rest assured that substitute claims will not be held unpatentable without notice of the particular grounds. In developing its arguments, the patent owner can focus on providing the best responses to the petitioner's theories without worrying about arguments that the petitioner did not consider or chose not to press. In the end, the patent owner will have at least one opportunity to present its best argument as to why substitute claims are not unpatentable on a particular ground.

The implications for petitioners are, of course, different. A petitioner cannot rely on the board to fill in any gaps in the petitioner's opposition to the motion to amend. Although the petitioner has limited space in the opposition, it should include all unpatentability grounds that the board might use to reject the substitute claims. Otherwise, the estoppel provision in section 315(e) will preclude the petitioner from raising those arguments later. And if the petitioner does not meet its burden of proof on the substitute claims, then it may be left hoping that another petitioner brings a separate challenge to the substitute claims.

After *Hunting Titan*, one open question is how the board will actually give patent owners notice of new unpatentability grounds for substitute claims. The panel acknowledged that it did not define "every possible procedure that would be sufficient." The most likely mechanism is that the board will issue a paper that proposes a new unpatentability ground and briefly explains why the evidence might support that theory. Both parties would then have an opportunity to respond to that paper in writing and/or at the oral hearing.

After *Hunting Titan*, one open question is how the board will actually give patent owners notice of new unpatentability grounds for substitute claims. The panel acknowledged that it did not define "every possible procedure that would be sufficient." The most likely mechanism is that the board will issue a paper that proposes a new unpatentability ground and briefly explains why the evidence might support that theory. Both parties would then have an opportunity to respond to that paper in writing and/or at the oral hearing.

An opportunity to respond that is limited to the oral hearing may not be sufficient for the patent owner to adequately support its position on the new ground. When a petitioner raises a new ground of unpatentability for substitute claims in an opposition to a motion to amend, the patent owner has an opportunity to submit rebuttal evidence with its reply, including an expert declaration. See [Trial Practice Guide](#) (Nov. 2019) at 73 (citing *Belden Inc. v. Berk-Tek LLC*, 805 F.3d 1064, 1077-1078 (Fed. Cir. 2015)).

If the attorneys are permitted to address the new ground only at the oral hearing, however, they would not similarly have a vehicle to enter evidence into the record because new evidence cannot be presented or entered into the record at an IPR oral hearing. Where appropriate, the board should therefore consider adopting an approach that permits the complete development of the record on the issues raised by the new ground of unpatentability.

Of course, *Hunting Titan* may appeal the panel's decision to the Federal Circuit. But because the decision follows *Nike* and is grounded in flexible Patent Office policy, a challenge to the decision might be an uphill battle. Regardless, any appeal would take some time, and the panel's decision will bind the board in the meantime.

Emerging Trends

With four panel decisions now on the books, some trends have begun to emerge. As with the three previous panel decisions, the chief administrative patent judge wrote the *Hunting Titan* decision. Unless the chief judge is unavailable or disagrees with the outcome of a case, that practice will likely continue. The chief judge's full-time job involves hearing and deciding cases before the board, but the director and the commissioner spend much more of their time setting the office's policy goals and running the office.

So far, the decisions illustrate that the panel is primarily concerned with resolving conflicts between board decisions and settling procedural issues that arise in relatively new post-grant proceedings. That focus aligns with the stated goals in Standard Operating Procedure 2. For example, the panel's first case considered which parties and issues can be joined to a proceeding under [35 U.S.C. § 315\(c\)](#). See *Proppant Express Investments, LLC v. Oren Technologies, LLC*, No. IPR2018-00914, Paper 38 (PTAB Mar. 13, 2019), abrogated by *Facebook, Inc. v. Windy City Innovations, LLC*, [953 F.3d 1313](#) (Fed. Cir. 2020).

The other two cases involved the impact of district court pleadings with procedural defects on the section 315(b) time bar and the standard for showing the public accessibility of prior art under section 314(a). *GoPro, Inc. v. 360Heros, Inc.*, No. IPR2018-01754, Paper 38 (PTAB Aug. 23, 2019); *Hulu, LLC v. Sound View Innovations, LLC*, No. IPR2018-01039, Paper 29 (PTAB Dec. 20, 2019).

Again, those cases focused on interpreting provisions of the America Invents Act. A party that is dissatisfied with a board decision may have the best chance of obtaining panel review by demonstrating a conflict with another board decision or explaining why the procedural issue will matter in other cases.

Perhaps most significantly, the panel has consistently adopted interpretations that affirm the board's authority and permit the board to act flexibly under the circumstances. For example, in *Proppant Express*, the panel reached a conclusion that may sound familiar: it held that section 315(c) gives the board discretion to join the same party or new issues to an ongoing proceeding but that it did not expect the board to exercise that discretion often. Although the Federal Circuit subsequently rejected that holding, the panel's approach to new unpatentability grounds in *Hunting Titan* echoes its earlier approach to joinder.

Moreover, in *Hulu*, the panel adopted a totality-of-the-evidence approach for analyzing indicia of public accessibility. By declining to adopt a *per se* rule, the panel offered specific guidance without overly constraining the board in future cases. After *Hunting Titan*, the same seems to be true for later cases in which petitioners propose substitute claims.