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WilmerHale attorneys advise patent owners on how to develop objective indicia evidence to overcome obviousness charges in inter partes review proceedings, and petitioners on how to respond when challenging the sufficiency of such evidence.

Increasing Role of Objective Indicia of Nonobviousness in AIA Proceedings



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During inter partes review (IPR) proceedings, a patent owner facing a challenge to a patent's claims on the basis of obviousness may seek to counter this challenge by presenting evidence of objective indicia of nonobviousness, sometimes referred to as "secondary considerations of nonobviousness." Objective indicia evidence "can include copying, long felt but unsolved need, failure of others, commercial success, unexpected results created by the claimed invention, unexpected properties of the claimed invention, licenses showing industry respect for the invention, and skepticism of skilled artisans before the invention." *Power Integrations, Inc. v.*

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Fairchild Semiconductor Int'l, Inc., 711 F.3d 1348, 1368 (Fed. Cir. 2013).

Since the enactment of the Leahy-Smith America Invents Act (AIA) (Pub. L. No. 112-29, 125 Stat. 284 (2011)), which established the right of parties to challenge the validity of a patent through IPR proceedings, attempts by patent owners to rely on objective indicia evidence during these proceedings have generally met with limited success. The Patent Trial and Appeal Board (PTAB) has only found objective indicia evidence to be significant in a handful of cases. Recently, however, the U.S. Court of Appeals for the Federal Circuit has encouraged the PTAB to more carefully examine objective indicia arguments.

In *WBIP, LLC v. Kohler Co.*, 829 F.3d 1317, 1328 (Fed. Cir. 2016), the Federal Circuit held that "[a] determination of whether a patent claim is invalid as obvious under [35 U.S.C.] § 103 requires consideration of all four *Graham* factors"—including the objective indicia of non-obviousness—"and it is error to reach a conclusion of obviousness until all those factors are considered." The court went on to explain that objective indicia evidence plays "an important role as a guard against the statutorily proscribed hindsight reasoning in the obviousness analysis." *Id.*

In *ClassCo, Inc. v. Apple Inc.*, 838 F.3d 1214, 1220 (Fed. Cir. 2016) the Federal Circuit affirmed the PTAB's decision finding claims challenged in an inter partes re-examination proceeding (a pre-AIA inter partes Patent Office invalidity proceeding) invalid, but nevertheless found that "the Board erred in dismissing some of [Patent Owner's] evidence of nonobviousness." The Federal Circuit explained that "when secondary considerations are present, though they are not always dispositive, it is error not to consider them." *Id.* (quotation omitted).

In the wake of these and other decisions from the Federal Circuit, the PTAB has shown an increased willingness to consider objective indicia evidence presented in PTAB proceedings and issued several decisions sug-

gesting that objective indicia evidence is receiving increased scrutiny in IPR proceedings, highlighting the importance for patent owners to introduce such evidence if available. This article examines these developments, and offers practice tips for practitioners presenting and responding to objective indicia evidence in IPR proceedings.

I. Recent PTAB Decisions Addressing Objective Indicia Evidence

A. *Argentum Pharm. LLC v. Research Corp. Techs. Inc.*

In *Argentum Pharm. LLC v. Research Corp. Techs. Inc.*, IPR2016-00204, Paper No. 85 (Mar. 22, 2017), the petitioners challenged patent claims relating to a compound useful in the treatment of epilepsy as obvious. *Id.* at *2. The PTAB concluded that “the weight of the evidence significantly favor[ed] Patent Owner’s position that an ordinary artisan would have lacked motivation, as well as a reasonable expectation of success, for making the specific substitution” necessary to arrive at the claimed active ingredient, and therefore found “that Petitioner [had] not shown sufficiently that the prior art of record would have suggested making the specific modification” required to yield the claimed compound. *Id.* at *24-25.

Although the board did not find “all of Patent Owner’s arguments and evidence of objective indicia” to be probative, the PTAB found “that Patent Owner offer[ed] significant evidence of satisfying a long felt, but unmet, need, as well as probative evidence of commercial success,” supporting the PTAB’s determination that the challenged claims were nonobvious. *Id.* at *30. With respect to the satisfaction of a long-felt unmet need, the PTAB held that the usefulness of the compound for the treatment of “refractory patients for which other antiepileptic drugs were ineffective”—a subset of epilepsy patients—was nevertheless “a significant objective indicium of nonobviousness.” *Id.* at *36-38.

B. *Costco Wholesale Corp. v. Robert Bosch LLC*

In *Costco Wholesale Corp. v. Robert Bosch LLC*, IPR2016-00038, Paper No. 68 (Mar. 30, 2017), the petitioner challenged three claims related to windshield wiping blades as obvious. The patent owner did not “dispute that the features of the challenged claims are found in the prior art,” but instead argued that there would have been no motivation to combine the teachings, and that objective indicia evidence supported the validity of the challenged claims. *Id.* at *42. After finding that the petitioner’s motivation to combine reasoning had a “rational underpinning,” the PTAB evaluated the objective indicia evidence. *Id.* at *47-56.

The patent owner submitted the testimony of its product manager as its primary evidence in support of its arguments that the patent owner’s wiper blades were a commercial success, satisfied a long-felt unmet need, and were the subject of industry praise. The product manager testified that “customers were ‘more excited’ for the [product embodying the challenged claims] than any other automotive product he has been involved with [over 20 years].” *Id.* at *52.

The board found the product manager’s subjective assessment to be unpersuasive because “customer excitement is a subjective observation and not an objective indication of industry praise or commercial success.” *Id.* (noting that “[e]ven if customer excitement to some extent indicates industry praise or commercial success, [the product manager] [did] not provide any explanation that ties customer excitement to claimed features”). The board also did not credit the product manager’s determination that a competing product was a commercial failure because it failed to embody the claimed invention—the product manager did not identify factual data underlying his subjective conclusion and the patent owner failed to explain what constituted “failure.” *Id.* at *54.

Finally, the board also refused to credit the product manager’s testimony that demand for the product embodying the claims was “considerably high” despite the higher price for the product compared with conventional wiper blades. *Id.* at *51-52. The board explained that the product manager’s “subjective opinion” that demand was “considerably high” was not supported by “gross sales figures in dollars or units sold, market share, growth in market share, or any objective indication of commercial success.” *Id.* at *52. The board explained that market sales data is not probative without evidence regarding the product’s market share. *Id.* The board therefore concluded that the objective indicia evidence did not support the validity of the challenged claims. *Id.* at *24.

C. *Fox Factory Inc. v. SRAM LLC*

In *Fox Factory Inc. v. SRAM LLC*, IPR2016-01876, Paper No. 8 (Apr. 3, 2017), the patent owner attempted to introduce evidence of commercial success in its Preliminary Response. The patent owner offered testimony that the challenged patent had been licensed, but did not enter the underlying licenses into the record. *Id.* at *22.

In evaluating the evidence, the PTAB quoted the Federal Circuit’s prior explanation that “[w]hen the specific licenses are not in the record, it is difficult for the court to determine if ‘the licensing program was successful either because of the merits of the claimed invention or because they were entered into as business decisions to avoid litigation, because of prior business relationships, or for other economic reasons.’” *Id.* at *21-22. The patent owner’s testimony that it had “entered into licensing transactions” without providing “the underlying licenses” or showing “adequately that the licenses were based on the merits” of the challenged patent was therefore insufficient to establish a sufficient nexus between the challenged patent and the alleged commercial success. *Id.* at 22. The board concluded that, on the limited record, the evidence was insufficiently germane to the nonobviousness of the challenged claims and instituted IPR on the obviousness ground. *Id.*

D. *Varian Medical Sys., Inc. v. William Beaumont Hospital*

In *Varian Medical Sys., Inc. v. William Beaumont Hospital*, IPR2016-00162, Paper No. 69 (May 4, 2017), the petitioner challenged the validity of claims directed to a radiation therapy system based on two obviousness combinations. *Id.* at *5-6. In the Patent Owner’s Response, the patent owner argued that the claimed tech-

nology had received industry-wide praise, satisfied a long-felt unmet need, was incorporated into a commercially successful product, and had been copied.

In its final written decision, the PTAB concluded that all limitations of the challenged claims were taught by the prior art and that one of ordinary skill in the art would have had a rationale to combine the references paired with a reasonable expectation of success achieving the claimed invention. *Id.* at *30, 64-65. The board nevertheless held that the challenged claims were not obvious based on objective indicia evidence. *Id.* at *65 (determining “that the very strong evidence of each of industry praise and long-felt need” and modest commercial success and copying evidence outweighed the board’s finding that the prior art accounted for every limitation of the independent claim).

In its assessment of the objective indicia evidence, the board explained that the nexus requirement, i.e., the requirement that there be a nexus between the objective indicia evidence and the claimed invention, is similar to a “preliminary determination as to whether the claims literally cover the content set forth in the evidence of secondary considerations.” *Id.* at *33. The parties disputed whether the product that was the subject of industry acclaim fell within the scope of the claims—there was evidence that the product could be used in ways that practiced and did not practice the claimed invention. The board explained that under *ClassCo*, such disputes regarding the possible ways that the product could be used go to the *weight* of the objective indicia evidence, not whether any nexus between the objective indicia evidence and the claims exists. *Id.* at *32-33.

II. Practice Tips

In presenting or responding to objective indicia evidence, practitioners should take heed of recent pronouncements from the Federal Circuit requiring the evaluation of objective indicia evidence when such evidence is introduced, as well as recent PTAB decisions regarding the method by which such evidence should be presented and supported.

- Patent owners should evaluate whether they have, or can obtain, evidence to support any of the objective indicia factors, making sure to support any such factors with underlying data and other competent evidence.

- Where patent owners submit conclusory or unsubstantiated testimony or other evidence purporting to support a particular objective indicia factor, petitioners should challenge such evidence on the basis of decisions such as *Costco* and *Fox Factory* and can argue, for example, that a witness’s *subjective* assessment of customer excitement and demand for products embodying the challenged patent is generally insufficient to establish the commercial success of the claimed invention.

- A patent owner seeking to present commercial success evidence should contextualize the evidence (e.g., provide market share data) to help the PTAB understand the significance of the evidence.

- A patent owner attempting to rely on the licensing of a challenged patent to establish the patent’s commercial success should offer relevant agreements into the record, so that the PTAB can evaluate whether the commercial agreement licensing the patent was driven by the merits of the claimed invention, or unrelated economic reasons.

- A patent owner may be able to establish a nexus with a product that is covered by the challenged claims even though the product can be operated in a way that falls outside of the scope of the claimed invention. A petitioner responding to such evidence should argue that the probative value of the objective indicia evidence should be discounted to account for the “non-infringing” modes of the claimed invention.

III. Conclusion

In view of recent case law from the Federal Circuit and PTAB, practitioners should carefully and thoroughly develop objective indicia evidence, and responses challenging the sufficiency of such evidence. Practitioners should also remain cognizant of the types of objective indicia evidence that the PTAB may accept as persuasive, and make sure to properly present and support such evidence in the IPR trial record.