

PTAB Strategies and Insights

September 2018



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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 three topics in depth:

- Statistical Study - PTAB post SAS
- Best strategies for ITC Respondents when considering a PTAB Action
- Fifth 315(b) bar decision post WiFi One - CAFC Rules on RPI Identification Burden Framework

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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Thank you.

Best Regards,
Jason

Editor & Author:

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By: Patrick Murray

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By: [Graham C. Phero](#) and [Jason D. Eisenberg](#)

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CAFC RULES ON RPI

IDENTIFICATION BURDEN FRAMEWORK

By: [Pauline M. Pelletier](#)

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After the Supreme Court's decision in *SAS Institute Inc. v. Iancu*, 138 S. Ct. 1348 (2018), PTAB observers noted several ways in which the decision could affect the PTAB review process. Nearly five months after the decision was handed down, sufficient data exist to begin to answer several of the questions that practitioners identified in *SAS*'s wake. Below, we take a look at those questions and what we have been able to learn so far about *SAS*'s impacts.

1. Are fewer trials being instituted?

SAS mandated that institution of trial is a binary choice – trial is now instituted for all challenged claims or none. No longer can the Board choose to review a subset of the claims challenged in a petition. A Sterne Kessler analysis conducted in May indicated that, at the time *SAS* was decided, about 20% of pending instituted trials had been instituted for fewer than all of the challenged claims. With the Board now required to make an all-or-nothing institution decision, practitioners speculated that the Board might respond to this requirement by instituting trial less frequently – denying institution in proceedings that previously would have been instituted for just a small subset of many challenged claims.

Evidence suggests that this scenario is playing out. An analysis of Docket Navigator institution data reveals a proceeding institution rate of **64%** for institution decisions in Q1 2018. This is in line with (in fact slightly higher than) the institution rate in the year prior to the *SAS* decision (61%). For proceedings instituted after *SAS* and through August, the proceeding institution rate has dropped to **55%**.

Perhaps even more telling, the institution rate for May was 62% - in line with the previous averages. Since June, the rate has fallen to 53%. It is certainly plausible that the May decisions were already "in the can" when the Supreme Court handed its decision down, and the Board could have tweaked these decisions to institute on all claims where it was planning to institute

on a subset. When the Board approached a new batch of institution decisions to be issued in June, it would have done so with *SAS* in mind from the outset – driving the lower institution rate that we have observed.

2. Is the PTAB providing less analysis in its institution decisions?

With an all-or-nothing decision to make, the PTAB had an opportunity to reduce its work when crafting its institution decisions. Previously, every claim required analysis if the Board wanted to institute trial. Under *SAS*, once a reasonable likelihood of unpatentability is identified for a single claim, the Board could reasonably institute review for all challenged claims. If the Board decided to proceed in this manner, much of the work involved in writing the institution decision could be dismissed, and institution decisions might be much shorter as a result.

This does not appear to be happening. We examined all of the granted IPR institution decisions from March and July. The 75 March decisions had an average length of 30.2 pages, and July's decisions averaged 29.4 pages each. By this measure, the Board appears to be providing about the same amount of analysis in each of its institution decisions.

3. Are petitions challenging fewer claims?

If practitioners were correct, and the Board was less likely to institute petitions in which the case for review is relatively weak on some of the challenged claims, how should petitioners respond? By challenging fewer claims, some reasoned. By filing narrowly targeted petitions, petitioners would maximize the likelihood of achieving institution on the most important and/or vulnerable claims in the patent.

There is some evidence that petitioners have responded in this manner. Our most comprehensive existing data on challenged claims comes from institution data – we examined institution decisions issued from January through April of this year and found an average of 14.5 claims challenged per petition.^[1] We also examined a random sample of petitions filed between July and September, finding an average of 11.9 challenged claims per petition – a decrease of about 2.5 claims or 17%. This analysis is limited, and merits further monitoring, but it provides an early indication that petitioners are filing more narrowly targeted petitions after *SAS*.^[2]

4. Are fewer petitions being filed?

In the long run, were *SAS* to result in a lower institution rate, accused infringers and others would likely be somewhat less inclined to file petitions in the first place. In the months immediately after the decision, we have observed filing volumes in line with the previously-established PTAB trends. In the very short term, petition filings were down sharply in April before the initial post-*SAS* uncertainty was resolved by the PTAB. Filings bounced back in May, however, making up for the low April numbers.

Overall, 2018 has the fewest petitions filed per month since 2013, with 134 per month through August – this is down from 2017's all-time high of 150 per month. It has also been the most stable year on a month-to-month basis of any year in the PTAB's history. It remains to be seen whether the long term trends of lowering institution rates (amplified by *SAS*) and lowering claim cancellation rates at final written decision will further diminish petitioners' appetite for PTAB proceedings.

^[1] We used the existing institution data to speed up the data collection process and provide more observations. We are assuming that the number of challenged claims per petition in cases reaching the institution decision is not greater than the number of challenged claims per

petition among all petitions as filed.

[2] It should also be noted that there is evidence that this phenomenon could be a continuation/acceleration of a long-term trend: the all-time average for claims challenged in a petition is 15.6, so the January to April figure was already below the long term average.

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When faced with allegations of patent infringement at the International Trade Commission (ITC), a respondent must quickly evaluate whether or not to request an AIA review (hereinafter, *inter partes* review for convenience) at the Patent Trial and Appeal Board (PTAB) for the patent or patents at issue. The cost/benefit analysis entails: the different caliber of judges, the inability for a stay at the ITC, the ITC's procedural schedule, the § 315(b) one year statutory bar (when there is a parallel district court action), § 315(e) estoppels, the different standard of proof between the tribunals, and the ability to negatively affect the patent owner's remedy at the ITC.

Judges

As compared to district court judges, PTAB judges are seen as patent specialists and adept in assessing the highly technical nature of patents and prior art. And like the PTAB, ITC judges are seen as patent specialists and able to properly evaluate the technical nature of patents and prior art. So there may be no real gain for this factor.

Costs and No Stay

Inter Partes review was touted as a lower cost alternative to district court litigation to assess patent validity. While litigating a patent case can cost millions, an IPR can be an order of magnitude less. One way to reduce costs is to request a stay of litigation.

District court judges regularly grant a stay of the district court action, especially after the *inter partes* review is instituted. The stay pauses costs and fees for the district court case while the parties focus on the *inter partes* review.

But at the ITC, the administrative law judges will usually not grant a stay of an ITC action in favor of an IPR proceeding even after an IPR is instituted. This is because the ITC, unlike

district court, must complete its investigations “at the earliest practicable time.” Furthermore, the accelerated procedural schedule at the ITC almost assures that the ITC will reach a conclusion before the PTAB. Thus, when considering an IPR, respondents must consider those costs to be additional to what is already being spent at the ITC.

Case Workload and Timing

Due to the ITC’s tight deadline in the procedural schedule, an ITC action alone can quickly become overwhelming. A respondent should therefore consider the size, capacity and ability of their attorney team when contemplating an IPR proceeding. That said, note that what increases the workload for a respondent also increases the workload for the complainant. A savvy respondent can estimate the PTAB timelines and file their IPR petition to stack deadlines and squeeze the other side during a major procedural deadline at the ITC, e.g., *Markman* or contentions.

Statutory bar

According to statute, a petition for *inter partes* review must be filed within one year of service of a complaint. 35 U.S.C. § 315(b). But no case has currently held that filing at the ITC triggers the one year statutory bar. Rather, thus far cases have held that the § 315(b) deadline is only triggered by a complaint filed in District Court. So if the ITC action is the only case at issue, a respondent should not lose the opportunity to later challenge the patent(s) after one year. Of note, many well trained ITC complainants now know to file a corresponding district court action to cut off this § 315(b) loop hole.

Estoppels

The resulting estoppels from a completed *inter partes* review are also worth considering. IPR petitioners are prevented from asserting a later invalidity attack that relies on anything the petitioner “raised or reasonably could have raised” during the IPR. 35 U.S.C. § 315(e). While the actual scope of the § 315(e) estoppels are uncertain and vary judge to judge, a worst case scenario suggests that a respondent at the ITC could be prevented from presenting invalidity arguments relying on patents and printed publications associated with an IPR proceeding. A respondent will not, however, be precluded at the ITC from relying on prior art products or other validity challenges such as § 112 (enablement, written description, or clarity) and § 101 (patentable subject matter), because those challenges cannot be raised in the IPR. Note, these additional invalidity positions might not be available if respondent files a post grant review or covered business method review where § 112 and § 101 challenges are permitted. The ITC has not yet interpreted the § 315(e) estoppel provisions, likely due to its fast pace and likelihood of finishing the ITC proceedings before the *inter partes* review. It remains to be seen how the ITC will treat § 315(e) estoppels for prior and/or co-pending IPR proceedings.

Different Standard of Proof

While the ITC considers patent validity under the clear and convincing evidence standard, *inter partes* review utilizes the lower evidentiary standard of a preponderance of the evidence. Thus, with the same prior art, a respondent theoretically has a better chance of invalidating a patent at the PTAB.

Potential to affect the Exclusion Remedy

The remedy for complainants at the ITC is an exclusion order which prevents a respondent from importing infringing products. The peril of an exclusion order is an extremely powerful tool for complainants and is the genesis of why many patent owners seek relief at the ITC. But a

positive result for a petitioner in *inter partes* review could reduce the impact of this remedy. For example, the ITC could withhold or suspend the exclusion of imported products based on claims deemed invalid in *inter partes* review. *See* 337-TA-939, 60, Comm'n Op. (U.S.I.T.C. Aug. 23, 2016). That said, more recently the ITC declined to overturn an exclusion order when the patents at issue were deemed invalid at the PTAB months after the remedy decision. *See* 337-TA-945, 11, Comm'n Op. (U.S.I.T.C. Aug. 16, 2017).

Conclusion

In the end, it appears filing an AIA review is the best practice for a respondent. Especially in light of the recent Federal Circuit decision that affirmed the PTAB's unpatentability determination over claims previously upheld at the ITC and affirmed in a previous Federal Circuit decision. *See Nobel Biocare Services AG v. Intradent USA, Inc.*, No. 17-2256, slip op. (Fed. Cir. Sept. 13, 2018). Naturally, the specific circumstances (patents, infringement position, etc.) associated with an individual case will dictate the best strategy vis-à-vis the use of PTAB validity challenges in an ITC case.

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On the issue of whether there were any unnamed, barred real parties in interest, the Court vacated and remanded because the patent owner World's had produced "some evidence" tending to show that there was a dispute over the real party in interest status of Activision, who had been served with a complaint more than one year prior. Specifically, the Court held: "Under the framework we have outlined above, the Board was entitled to rely, at least initially, on Bungie's list of all real parties in interest, which raised no time-bar issues under the facts presented. Here, however, Worlds presented evidence sufficient to put Bungie's identification of itself as the sole real party in interest into dispute. Thus, in this circumstance, the Board could no longer merely rely upon Bungie's initial identification of the real parties in interest. Instead, the Board was required to make any factual determinations necessary to evaluate whether

Bungie had satisfied its burden to demonstrate that its petition was not time-barred based on the complaints served upon Activision, the alleged real party in interest.”

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