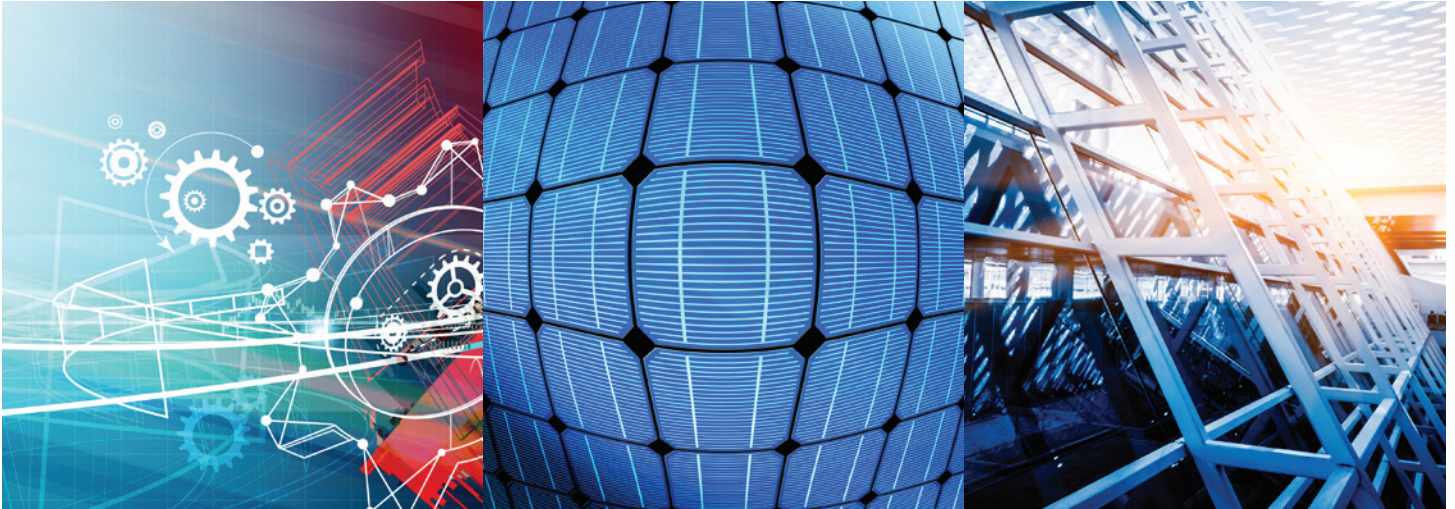


2016 PTAB YEAR IN REVIEW

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Introduction



Wilson Sonsini Goodrich & Rosati is pleased to present our *2016 PTAB Year in Review*. We begin with a look at 2016 activity at the Patent Trial and Appeal Board (PTAB), which again ranked as the busiest jurisdiction in the country for challenges to patentability. We then explore the results of these challenges, examining outcomes for both petitioners seeking the cancellation of patents and patent owners hoping to exit with their patents intact.

Our 2016 report also summarizes significant administrative developments at the PTAB, including the arrival of a new chief judge, the adoption and implementation of new rules, and the designation of precedential opinions providing guidance on practice before the

PTAB. In addition, we discuss the disposition of cases remanded to the PTAB by the U.S. Court of Appeals for the Federal Circuit, and summarize notable decisions in post-grant reviews and covered business method reviews that are likely to affect those proceedings going forward.

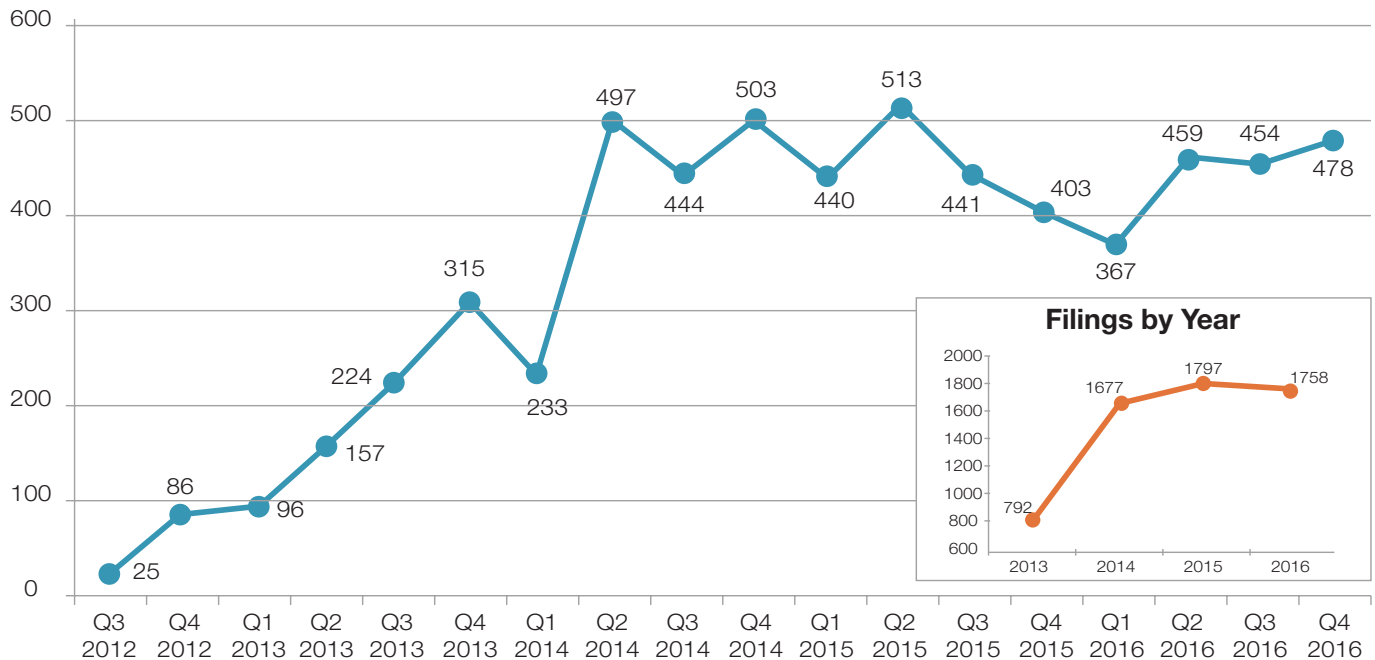
In the last section of our report, we analyze the dramatic increase in the number of PTAB cases that the Federal Circuit—the PTAB’s reviewing court—hears each year. The Federal Circuit’s rate of affirmance of PTAB decisions significantly decreased in 2016 compared to prior years, and a close examination of the issues on which the PTAB was overturned identifies areas in which the PTAB seems to be receiving a more critical

assessment on appeal. Issues of claim construction and agency compliance with the protections of the Administrative Procedure Act were the most active areas in which PTAB decisions were reversed, indicating that proficiency in these areas is critically important for successful practice before the PTAB.

We hope you find our *2016 PTAB Year in Review* to be a useful resource for insight on the most meaningful developments from the past year. As always, should you have any questions or comments on any of the matters discussed in the report, please contact a member of the firm’s post-grant practice or your regular WSGR attorney.

PTAB Petition Filings

PTAB Filings by Quarter



Source: LexMachina, 1/3/17

The year 2016 was another active year for petition filings at the PTAB, and the story has largely been one of consistency. A total of 1,758 new petitions were filed in 2016, which is on par with the 1,797 petitions that were filed in 2015. While the number of filings has fluctuated somewhat since the second quarter of 2014, about 450 new petitions have been filed on average per quarter. In fact, the rate of petition filings has remained relatively steady since mid-2014. Absent any significant changes, 2017 should continue to see around 450 new petitions filed per quarter.

Among the various types of petitions

being filed, including *inter partes* review (IPR), covered business method (CBM) review, and post-grant review (PGR), IPR petitions continue to dominate filings at the PTAB. IPR petitions made up 93 percent of all petitions filed in 2016. This represents a modest increase in the percentage of filings for IPRs compared to previous years. Also, PGR petitions spiked in 2016; there were 29 such petitions (1.65 percent of all petitions), compared to 12 petitions in 2015 (0.67 percent of all petitions). Recall that PGR is available only for patents that issue from applications effectively filed on or after the America Invents Act (AIA) effective date of March 16, 2013. The increase in PGR

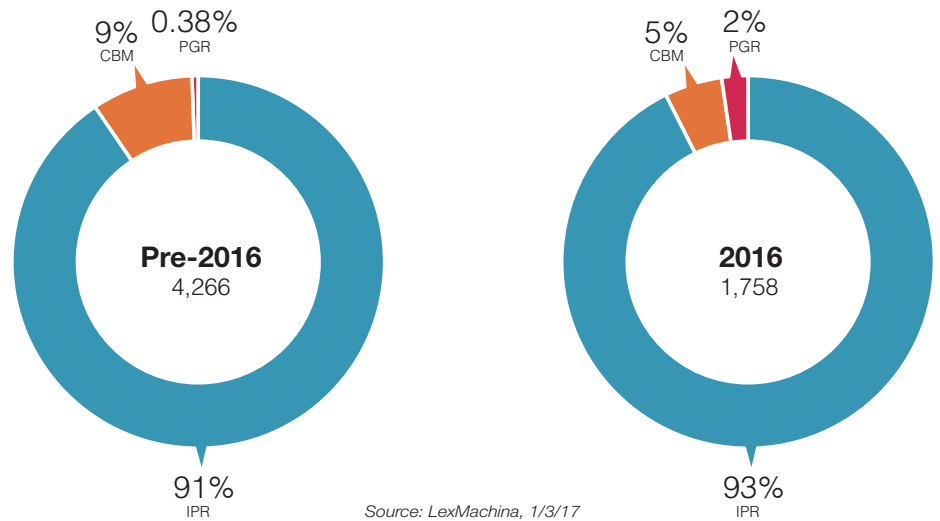
filings is likely a result of more eligible post-AIA patents issuing—a trend that is expected to continue.

While IPRs and PGRs saw relative increases, those gains were largely offset by a decline in the number of CBM review petitions filed. CBM review petition filings dropped to approximately half of the percentage of filings seen in years past. There may be several factors contributing to this decline, including the tightening application of PTAB review eligibility standards, and a reduction in the number of patents available for CBM review—either due to eligibility or standing (for example, case or controversy

requirement). Moreover, the recent *Unwired Planet v. Google* Federal Circuit decision (discussed later in this report) criticized the PTAB's prior practice of having a generous definition for covered business patents. As such, a rebound in CBM filings seems unlikely in 2017.

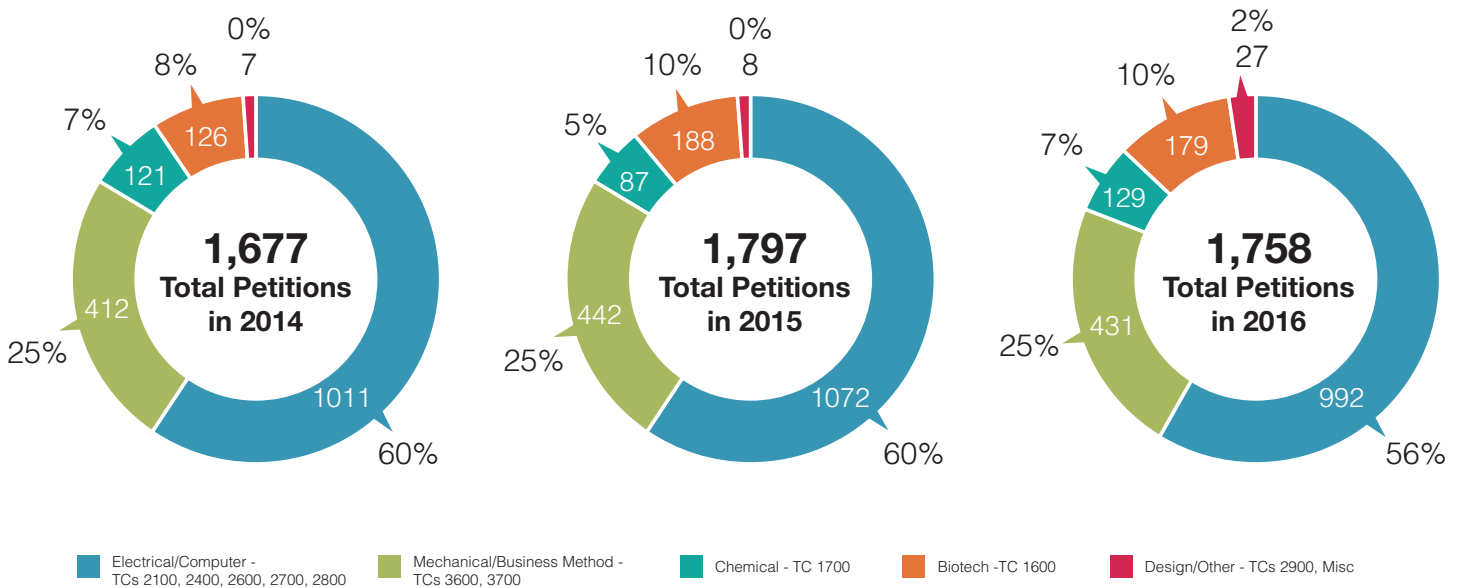
The charts below illustrate the total number of petition filings per year and the percentage of filings broken down by technology. In 2016, the electronic and computer arts (TCs 2100, 2400, 2600, 2700, and 2800) once again dominated the filings at the PTAB, although they did see a modest decrease in the percentage of filings for 2016 compared to the previous year—representing 56 percent of filed petitions in 2016 compared to 60 percent of filed petitions in 2015. In contrast, the percentage of petitions filed in the biotech and chemical arts (TCs 1600 and 1700) slightly increased in 2016 compared to years past.

PTAB Petitions by Type



Source: LexMachina, 1/3/17

PTAB Filings by Year and Technology Breakdown



Source: LexMachina, 1/3/17

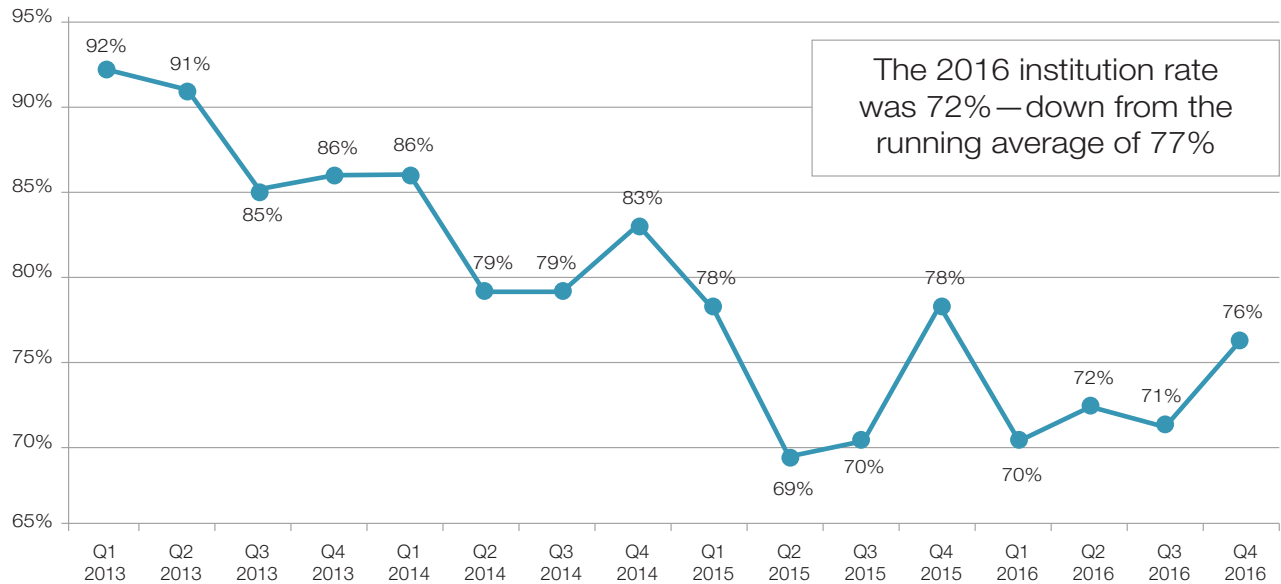
PTAB Outcomes

A PTAB case is initiated upon the filing of a petition for review. The PTAB issues a decision whether to institute trial on any of the challenged patent claims about six months after the filing of a petition. If trial is

instituted, a trial on the merits is conducted and concludes with a final written decision regarding the unpatentability of the challenged patent claims. Thus, there are two primary inflection points at the PTAB as

far as the “outcome” of a case is concerned: (1) an initial decision on whether to institute trial; and (2) where trial is instituted, a final written decision on the challenged claims.

Institution Rate by Quarter



Source: LexMachina, 1/3/17

Technology Center	2016 Institution Rate	2012-2016 Institution Rate
2700 - Comm. & Software*	70%	76%
2800 - Semiconductors	83%	84%
2400 - Networking	77%	75%
3700 - Mechanical	68%	77%
3600 - Business Methods	80%	80%
1600 - Biotech	70%	67%
1700 - Chemical	51%	72%

*Technology Center 2700 is a legacy technology center that was recently split into Technology Centers 2100 and 2600. For ease of comparison, data has been normalized to count Technology Centers 2100 and 2600 as 2700.

Institution

While the institution rate in PTAB cases began at a generally high level with more than 90 percent of cases gaining institution, the overall average institution rate seems to have stabilized since mid-2015. Over the lifespan of AIA review at the PTAB, the average institution rate is about 77 percent. The institution rate for 2016 was about 72 percent. In other words, roughly 7 out

of every 10 cases receiving a decision in 2016 saw trial instituted on at least one challenged claim.

The table at left illustrates institution rates broken down by technology, both for 2016 and for all-time (2012-2016). Most of the technology centers were near the all-time average institution rate for cases independent of technology breakdown (77 percent). Some variation, however, is still apparent. For example, 1600-Biotech has a lower overall average institution rate, which may be attributed to the greater difficulty of proving obviousness in the unpredictable arts, compared to 2800-Semiconductors

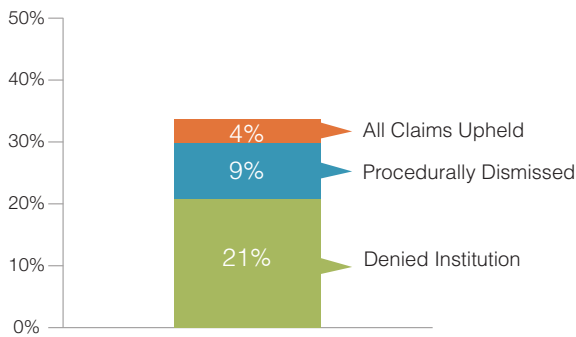
and 3600-Business Methods, which are consistently above the average institution rates. Many of the technology centers saw a year-to-year drop in institution rate in 2016, with 3700-Mechanical and 1700-Chemical experiencing significant drops.

Final Disposition

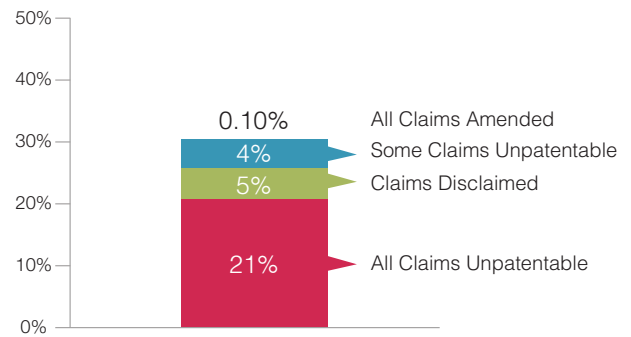
Despite the “patent death squad” moniker many have bestowed on the PTAB, from an overall perspective, PTAB proceedings are less threatening to patent owners

than the nickname might indicate. Indeed, excluding instances of settlement, patent owners have emerged from the PTAB with a fully intact patent at roughly the same frequency as cases in which patent claims were lost.

All Claims Survive



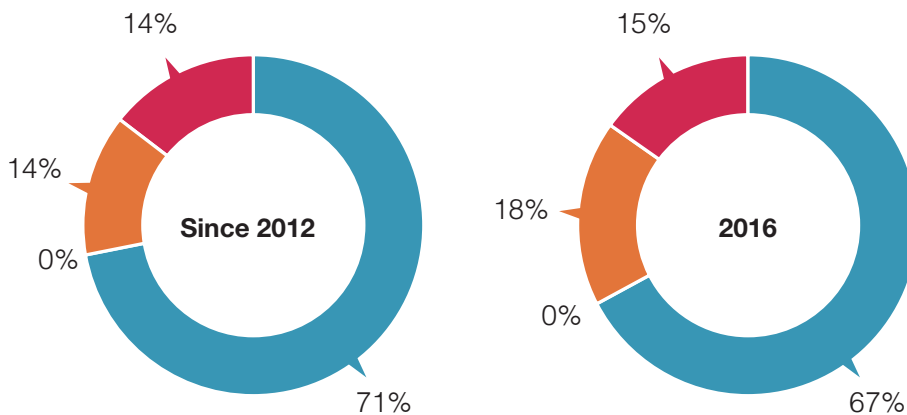
Cases Losing at Least One Claim



Source: LexMachina, 1/3/17

Note: Information above does not reflect settlement, joinder, or other miscellaneous outcomes.

Final Written Decisions



Nevertheless, outcomes are not so positive for the patent owner if a trial is instituted and the case reaches a final written decision. In such instances, the petitioner was able to invalidate all challenged claims two-thirds of the time—more than three times as often as the patent owner is able to save all of its claims. This is a trend that continued in 2016.

This suggests that the institution stage is pivotal in PTAB trials. Once a PTAB panel has determined that a petition demonstrates a reasonable likelihood that a claim is unpatentable, that conclusion—more often than not—carries through to the final written decision.

	Since 2012		2016	
Petitioner Win				
All Claims Unpatentable	940	71%	423	67%
All Claims Amended	5	0%	1	0%
Patent Owner Win				
All Claims Upheld	189	14%	111	18%
Partial				
Mixed Claim Findings	183	14%	92	15%

Source: LexMachina, 1/3/17

Notable PTAB Activities in 2016

Last year proved to be a busy and notable period for the PTAB. Among its many activities in 2016, the PTAB selected a new Chief Administrative Patent Judge, issued new rules and notable decisions, and designated several new precedential AIA decisions. The year also marked the passing of well-respected former Chief Administrative Patent Judge Fred McKelvey, who we honor with a special *in memoriam* tribute on page 14.

New Chief Administrative Patent Judge

In May 2016, the PTAB welcomed David Ruschke as Chief Administrative Patent Judge (APJ). Chief APJ Ruschke formerly served as a law clerk at the Federal Circuit and as Secretary for the American Intellectual Property Law Association. He also worked in private practice as a patent attorney, including most recently as chief patent counsel of Medtronic's coronary and structural heart business unit. Chief APJ Ruschke has characterized the AIA review process as very positive for both the patent owner and the petitioner, and as a valuable tool that can be used as a fair, efficient, timely, and cost-effective alternative to district court litigation.

Chief APJ Ruschke replaced former Chief APJ James Smith, who announced that he was retiring from the PTAB in May 2015 and subsequently entered private practice. Then-Deputy Chief APJ Nathan Kelly, now solicitor and deputy general counsel for IP law for the USPTO, served as acting Chief APJ during the interim. According to the USPTO, the Chief APJ is the senior executive of the PTAB.

New Rules

As reported in the April 2016 issue of *The PTAB Review*, the USPTO issued new rules effective May 1, 2016, that introduced significant modifications to AIA proceedings. Among other things, the new rules imposed word limits instead of page limits for major briefings, such as petitions and patent owner responses.¹ The USPTO also officially adopted the broadest reasonable interpretation (BRI) claim construction standard, but only for unexpired claims in *inter partes* review (IPR) proceedings.² Notably, the U.S. Supreme Court held in *Cuozzo Speed Technologies, LLC v. Lee* that the USPTO was authorized by Congress to issue the BRI regulation.³

The USPTO also adopted a rule permitting patent owners to submit new testimonial evidence created to support their preliminary responses, though material factual disputes are to be resolved in favor of the petitioner.⁴ As discussed in the November 2016 issue of *The PTAB Review*, however, an informal review of institution decisions revealed that the submission of testimony with the preliminary response thus far has had no apparent effect on institution outcomes.

In addition, the USPTO adopted a sanctions rule similar to Rule 11 of the *Federal Rules of Civil Procedure*.⁵ The PTAB has imposed sanctions in several cases already. For example, in *Atlanta Gas Light Co. v. Bennett Regulator Guards, Inc.*, the PTAB awarded a patent owner its costs and attorneys' fees incurred after the issuance of the final written decision.⁶ The PTAB imposed sanctions because the petitioner

failed to submit a timely update to its mandatory notices to identify a company that acquired its parent company as a real party-in-interest. The PTAB noted repeatedly that it had previously terminated an IPR on the same patent brought by the same petitioner because the petitioner failed to identify its parent company as a real party-in-interest. Although the PTAB awarded costs and fees, it denied the request to vacate its final written decision finding claims of the patent unpatentable.

Precedential Decisions

In 2016, the PTAB designated seven AIA decisions as precedential. Additional discussion of these cases is available in the June 2016 issue of *The PTAB Review*, but brief descriptions are provided below:

- In *Lumentum Holdings, Inc. v. Capella Photonics, Inc.*, IPR2015-00739, Paper 38 (March 4, 2016), the PTAB held that the statutory requirement from 35 U.S.C. § 312(a) that a petitioner disclose "all real parties in interest" is not jurisdictional and can therefore be cured with permission of the board.
- In *Masterimage 3D, Inc. v. RealD Inc.*, IPR2015-00040, Paper 42 (July 15, 2015), the PTAB held that a patent owner seeking to enter a claim amendment has the burden to show patentable distinction over the prior art of record and also over the prior art known to the patent owner. This rule is currently under review by the Federal Circuit sitting *en banc* in *In re Aqua Products, Inc.*

- In *Westlake Services LLC v. Credit Acceptance Corp.*, CBM2014-00176, Paper 28 (May 14, 2015), the PTAB held that claims that are included in a petition but not addressed in the final written decision (because, for example, review was not instituted on those claims) are not subject to the estoppel provisions of 35 U.S.C. § 325(e)(1). In *Synopsys, Inc. v. Mentor Graphics Corp.*,⁷ the Federal Circuit affirmed that there is “no statutory requirement that the [b]oard’s final decision address every claim raised in a petition for inter partes review.”
- In *Oracle Corp. v. Click-to-Call Techs. LP*, IPR2013-00312, Paper 26 (October 30, 2013), the PTAB held that voluntary dismissal of an infringement complaint without prejudice “nullifies the effect of the complaint” and the complaint thus does not bar the petitioner from pursuing an IPR of the patent under 35 U.S.C. § 315(b).
- In *LG Electronics, Inc. v. Mondis Tech. Ltd.*, IPR2015-00937, Paper 8 (September 17, 2015), the PTAB held that 35 U.S.C. § 315(b) does bar the petitioner from pursuing an IPR when the voluntary dismissal of an infringement complaint without prejudice infringement applies only to certain accused products.
- In *Garmin Int’l, Inc. v. Cuozzo Speed Techs. LLC*, IPR2012-00001, Paper 26 (March 5, 2013), the PTAB listed factors to be assessed when

considering a request for additional discovery in an IPR under the “interests of justice” standard.

- In *Bloomberg Inc. v. Markets-Alert Pty Ltd.*, CBM2013-00005, Paper 32 (May 29, 2013), the PTAB adopted the *Garmin* discovery factors for covered business method reviews decided under the “good cause” discovery standard.

Other Notable PTAB Decisions

First PGR Final Decision to Uphold All Challenged Claims

In *Altaire Pharmaceuticals, Inv. v. Paragon Biotech, Inc.*,⁸ the PTAB issued its first final written decision in a post-grant review proceeding that determined that all of the challenged claims are patentable. The petitioner had asserted that the challenged claims were obvious over its own product, and submitted HPLC and polarimetry data to establish that chiral purity limitations of the claims were satisfied by its product. The patent owner argued that prior art HPLC methods could not separate enantiomers, and would therefore be inadequate to demonstrate satisfaction of the chiral purity limitations of the claims. The patent owner also argued that the petitioner’s polarimetry data was inadequate because the petitioner failed to establish that the control used to calculate optical rotation was properly calibrated.

In its reply, the petitioner argued that it had used its own “proprietary HPLC procedure” to separate the enantiomers and provided the PTAB with the protocols

it said were used to obtain the HPLC data. The petitioner also argued that the patent owner should have rebutted the petitioner’s data by showing that the samples failed to satisfy the chiral purity limitations. The PTAB rejected these arguments, noting that the burden of proof never shifts. The PTAB concluded that the petitioner had failed to establish unpatentability of the claim by a preponderance of the evidence because the petitioner failed to explain fully in its petition how the “proprietary HPLC procedure” was performed and how the data was generated. Instead of disclosing the protocol in its petition, the petitioner waited to provide the information to the PTAB until it filed its reply, when the patent owner no longer had an opportunity to respond.

The PTAB also rejected the petitioner’s argument that the patent owner should have provided the testing parameters to the board, stating: “[W]hile each party should conduct itself in a civil manner, [p]atent [o]wner has no duty to first bring to our attention, and then thoroughly address, evidence to support [p]etitioner’s case.”

The *Paragon* decision highlights both the opportunity and pitfalls that exist because of the availability in PGRs of bases of unpatentability beyond the patents and printed publications available in IPRs, such as public uses. It also highlights the importance of understanding the burden of proof and of fully disclosing the underlying bases for data submitted in an AIA proceeding.

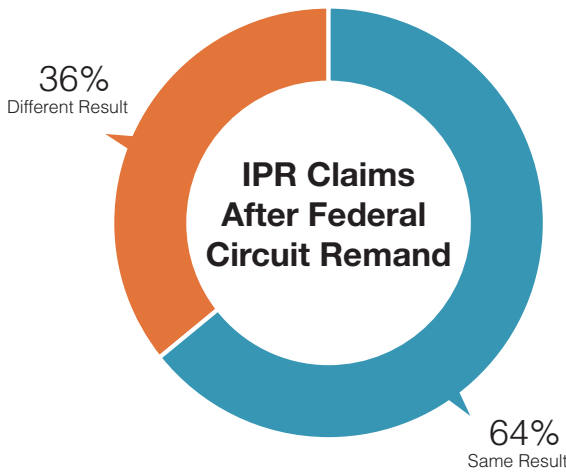
Disposition of Cases on Remand

As more final written decisions in AIA proceedings have been vacated (in whole or in part) at the Federal Circuit over time, the PTAB has begun to grapple with what it means to handle an AIA case on remand. Although he noted that no statutory deadline expressly applies to decisions on remand, Chief APJ Ruschke has said that the PTAB’s goal is to issue decisions on remand within six months. The Federal Circuit has remanded (at least in part) approximately 20 unique AIA cases, mostly IPRs. Of those, the PTAB has issued decisions on remand in seven cases, and met the six-month goal just under half of the time.

A review of these decisions reveals that the PTAB reached the same outcome or end result (i.e., finding claims either unpatentable or not unpatentable) on remand as in its original decision in roughly 64 percent of the remanded claims. The PTAB permitted substantive briefing on the issue on remand just over half of the time, and in some cases permitted limited briefing on whether substantive briefing should be allowed. In other words, neither the outcome of a case on remand from the Federal Circuit nor the ability to substantively brief the issues on remand is in any sense guaranteed based on the PTAB’s current practices.

CBM Eligibility

In *Unwired Planet, LLC v. Google Inc.*,⁹ the Federal Circuit curtailed the PTAB’s broad interpretation of CBM eligibility, holding that the PTAB had applied the incorrect legal standard for determining whether a patent qualifies as a covered



business method patent eligible for CBM review. The court clarified that the statutory definition, not the PTAB’s broader standard based on the legislative history, provides the proper standard for CBM eligibility.

The AIA defines a CBM patent as one that “claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service,” sometimes referred to as the “financial prong.”¹⁰ AIA § 18(d)(1). While the USPTO adopted the statutory definition without alteration in its rulemaking,¹¹ it signaled a broader interpretation in its response to public comments, quoting a floor statement from U.S. Senator Charles Schumer (D-NY) that the definition encompassed activities “incidental to a financial activity or complementary to a financial activity.”¹² Though panels differed in their application of this broad CBM eligibility standard, the PTAB generally adhered to an expansive interpretation of the financial prong. While certain panels were taking a narrower view of CBM eligibility by 2016,¹³ other panels continued finding patents eligible based on tenuous connections

to financial activity.¹⁴ Even in decisions adopting a narrower approach, the PTAB acknowledged the statement of Senator Schumer as relevant legislative history.¹⁵

The *Unwired Planet* decision puts an end to the PTAB’s broader CBM eligibility standard. The court reasoned that Congress had placed limits on the definition of CBM patents and found that the PTAB had exceeded those limits by relying on “the views of a single legislator,” which were not controlling legislative history.¹⁶ Noting statements by other senators espousing inconsistent views on the scope of CBM review,¹⁷ the court returned to the language of the statute as the proper definition.

The direct impact of the *Unwired Planet* decision on practitioners is clear: parties must now argue for or against CBM eligibility based on the statutory definition rather than broader “incidental...or complementary to” standards. Potential CBM petitioners should also carefully consider whether a target patent is sufficiently financial in nature to meet the narrower definition. However, while the scope of CBM eligibility has certainly been narrowed, the extent of this shift remains to be seen. For example, previous panels at the board have given different weight to financial embodiments discussed in the specification but not the claims, an inconsistency that may continue under the new standard. The *Unwired Planet* decision also declined to address the relevance of non-challenged claims to the CBM eligibility analysis,¹⁸ and the PTAB has taken inconsistent approaches to whether claims that are disclaimed pre-institution can provide a basis for CBM eligibility.¹⁹ Thus, while *Unwired Planet* provided some clarity, CBM eligibility is likely to remain a contentious issue.

Notable Federal Circuit Activities in 2016

Appellate Review of PTAB Decisions

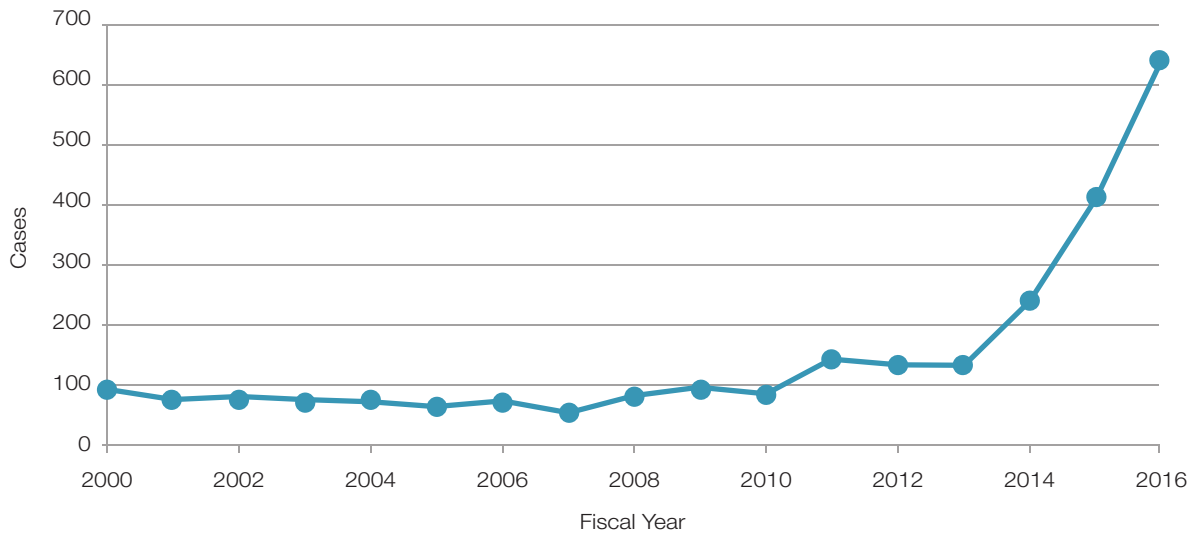
Appeals from AIA trials have dramatically increased the number of cases originating from the PTAB that the Federal Circuit hears each year. Prior to the AIA, the Federal Circuit only heard appeals from *ex parte* examination, *ex parte* reexamination, *inter partes* reexamination, and interference

decisions from the PTAB. With the addition of appeals from AIA trials, the number of cases filed at the Federal Circuit increased approximately sixfold between 2012 and 2016.

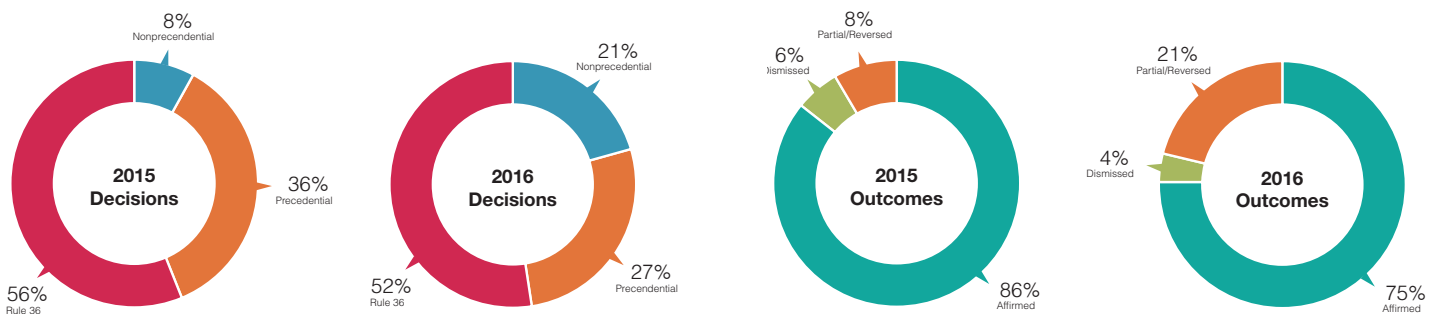
Despite the increasing workload, between 2015 and 2016, the Federal Circuit dramatically increased its issuance of nonprecedential opinions at the expense of

both Rule 36 affirmances and precedential opinions. In 2015, the Federal Circuit was perceived as being highly deferential to the PTAB while it established and refined the procedures for conducting AIA trials. 2016 saw more critical review of PTAB decisions, with the affirmance rate dropping from 86 percent to 75 percent.

Appeals Originating from USPTO



Source: U.S. Court of Appeals for the Federal Circuit



Source: Docket Navigator



The above graphic shows the issues on which the Federal Circuit overturned PTAB decisions. An analysis of 2015 and 2016 Federal Circuit decisions in which the PTAB decision was overturned at least in part shows that improper claim construction and various violations of the Administrative Procedure Act were the top reasons given.

Is An Opportunity to Amend on the Horizon?

Patent owners in AIA trials have a statutory right to file a motion to amend in which substitute claims are proposed in the event that the original claims are found unpatentable. The opportunity to amend claims during the course of an AIA trial was one of the reasons given by the Patent Office to support their choice of the broadest reasonable interpretation claim construction standard, rather than the district court *Phillips* standard.²⁰ However, the “opportunity” to amend has been more of an opportunity in theory than in practice. Motions to amend are denied 95 percent of the time, often on purely procedural grounds.²¹

The difficulty in amending claims during AIA trials is in part attributable to the

Patent Office requirement that patent owners prove the patentability of the substitute claims over the prior art of record and prior art known to the patent owner, but not of record. The Federal Circuit affirmed placing the burden on patent owners to prove patentability in *Nike, Inc. v. Adidas AG*, 812 F. 3d 1326 (Fed. Cir. 2016). However, the Federal Circuit also held that, with respect to proving patentability over prior art not of record, it is sufficient that patent owners attest to the patentability of the substitute claims over known prior art.

Because motions to amend are usually denied, the issue has been presented frequently to the Federal Circuit. While *Nike* was a small victory for patent owners, it has not had any demonstrable impact on the low success rate for motions to amend. Only two motions to amend were granted in 2016. The Federal Circuit has recently become more critical of the PTAB’s motion to amend practice, overturning a denial on the grounds that the decision was arbitrary and capricious and agreeing to consider *en banc* whether the burden should be on the patent owner to prove patentability—that is, whether to overrule *Nike*.

Veritas Technologies LLC v. Veeam Software Corp., 835 F.3d 1406 (Fed. Cir. 2016). Veeam presented substitute claims in which the original claim was amended by the addition of a number of new limitations. Veeam’s motion discussed how the **combination** of newly added and known features made the substitute claims patentable over the prior art of record. Veeam’s motion to amend was denied “based on [the PTAB’s] insistence that the patent owner discuss whether each newly added feature was **separately** known in the prior art.” The court concluded that “we have been shown no reason to doubt that it is only the combination that was the ‘new feature,’ a scenario recognized in a long line of Supreme Court and Federal Circuit cases noting that novel and nonobvious inventions often are only a combination of known individual features.” With that, the court set aside the PTAB’s decision regarding denial of the motion to amend as arbitrary and capricious.

Patent owners have continued to challenge the Patent Office’s decision to place the burden on patent owners to prove patentability of the substitute claims. See *Nike, Inc. v. Adidas AG*, 812 F. 3d 1326 (Fed. Cir. 2016). They

argue that the burden is properly on the petitioner to prove unpatentability of any claims that are part of the proceeding—original and substitute claims alike. See, e.g., *In re Aqua Products, Inc.*, 823 F.3d 1369 (Fed. Cir. 2016); *Prolitec, Inc., v. ScentAir Technologies, Inc.*, 807 F.3d 1353 (Fed. Cir. 2016).

The Federal Circuit agreed to an *en banc* rehearing in *Aqua Products* to address whether “the PTO [may] require the patent owner to bear the burden of persuasion, or a burden of production, regarding patentability of the amended claims as a condition of allowing them.” *In re Aqua Prods.*, 833 F.3d 1335 (Fed. Cir. 2016). Oral argument occurred on December 9, 2016, and as of the date of this report, no opinion has been issued.

Reviewability of Institution Decisions

Section 314(d) states that “[t]he determination by the Director whether to institute an *inter partes* review under this section shall be final and nonappealable.” While the section is unambiguous with respect to the institution decision, what about decisions made at institution that ultimately become part of the final written

decision? The U.S. Supreme Court answered this question, at least in part, in *Cuozzo*:

Nevertheless, in light of § 314(d)’s own text and the presumption favoring review, we emphasize that our interpretation [barring review] applies where the grounds for attacking the decision to institute *inter partes* review consist of questions that are closely tied to the application and interpretation of statutes related to the Patent Office’s decision to initiate *inter partes* review. See § 314(d) (barring appeals of ‘determinations...to initiate an *inter partes* review under this section’ (emphasis added)). This means that we need not, and do not, decide the precise effect of § 314(d) on appeals that implicate constitutional questions, that depend on other less closely related statutes, or that present other questions of interpretation that reach, in terms of scope and impact, well beyond ‘this section.’ *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131, 2141 (2016).

What exactly was meant by “closely tied to the...decision to initiate *inter partes* review” and “appeals that implicate...less closely related statutes, or that present other questions of interpretation that reach, in terms of scope and impact” has been left to the Federal Circuit to determine. Not surprisingly, there were a considerable number of cases decided in 2016 that addressed the issue of reviewability. This area of law will be active in 2017, as the Federal Circuit recently granted *en banc* rehearing on reviewability of time bar decisions. *Wi-Fi One, LLC v. Broadcom Corp.*, 2015-1944, -1945, -1946 (Fed. Cir. January 4, 2017).

Unreviewable

- **Decision to Institute:** *Cuozzo* directly challenged whether the PTAB could institute on a ground of unpatentability that was not explicitly part of the petition. The petition challenged dependent claims and the PTAB instituted on both the dependent and independent claims. The PTAB has authority to do so and the decision is not reviewable. *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131, 2141 (2016).
- **Decision Not to Institute:** The Federal Circuit has no authority to hear an appeal from a petitioner regarding non-institution of grounds of unpatentability, because “[d]enial of a ground is a [PTAB] decision not to institute *inter partes* review on that ground.” 37 C.F.R. § 42.108(b). Thus, the PTAB’s determination that a ground is redundant, and is denied on that basis, is unreviewable. *Shaw Industries Group v. Automated Creel Systems*, 817 F.3d 1293 (Fed. Cir. 2016); *HP Inc. v. MPHJ Tech. Invs., LLC*, 817 F.3d 1339 (Fed. Cir. 2016).

Cases with Successful Motions to Amend	
Case Number	Parties
CBM2013-00027	<i>Chicago Mercantile vs. 5th Market, Inc.</i>
IPR2013-00124	<i>IFF vs. US Dept. of Agriculture</i>
IPR2013-00402	<i>Riverbed Tech vs. Silver Peak System</i>
IPR2013-00403	<i>Riverbed Tech vs. Silver Peak System</i>
IPR2014-00192	<i>Syntroleum Corp vs. Neste Oil</i>
IPR2015-00208	<i>Shinn Fu Company of America, Inc. vs. The Tire Hanger Corporation</i>
CBM2015-00040	<i>Google Inc. v. ContentGuard Holdings, Inc.</i>

Source: USPTO and Docket Navigator

- **Assignor Estoppel:** “[A]ssignor estoppel operates to prevent ‘one who has assigned the rights to a patent (or [a] patent application) from later contending that what was assigned’ lacks value.” The PTAB decided that this equitable doctrine does not operate to prevent an assignor from filing a petition. The Federal Circuit upheld the decision as not “closely tied to the...decision to initiate *inter partes* review” and not falling under any of the exceptions to unreviewability the Supreme Court laid out in *Cuozzo. Husky Injection Molding v. Athena Automation, Ltd.*, 838 F.3d 1236 (Fed. Cir. 2016).
- **Time Bar:** Section 315(a) states “[a]n *inter partes* review may not be instituted if, before the date on which the petition for such a review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent.” The Federal Circuit in *Achates* made the distinction between statutes that “impact the [PTAB’s] authority to invalidate a patent claim” and those that “only bars particular petitioners from challenging the claim.” Decisions made at institution that relate to the first category are reviewable, but the decisions that relate to the second category are not reviewable. Since the § 315(a) time bar only impacts who can challenge the patent, the decision is unreviewable. *Achates Reference Publishing v. Apple Inc.*, 803 F. 3d 652 (Fed. Cir. 2015). After the *Cuozzo* decision, *Wi-Fi One* challenged the reviewability of the time-bar decision, arguing that *Cuozzo* implicitly overruled *Achates*. The Federal Circuit held that *Achates*

is still good law. *Wi-Fi One, LLC v. Broadcom Corp.*, 837 F.3d 1329 (Fed. Cir. 2016).

Reviewable

- **CBM Eligibility:** Whether the patent is eligible for CBM review goes to the “ultimate authority of the PTAB to invalidate a patent” and hence is a reviewable decision. *Versata Development Group v. SAP America, Inc.*, 793 F. 3d 1306 (Fed. Cir. 2015). Using its authority to review CBM eligibility, the Federal Circuit has also weighed in on the criteria used by the Patent Office to determine whether a patent is eligible for CBM review. *Unwired Planet, LLC v. Google Inc.*, No. 15-1812 (Fed. Cir. November 21, 2016).

Evolving Theories of Unpatentability at the Federal Circuit

Proceedings before the PTAB are highly expedited proceedings for which each party has essentially a single opportunity to present its case. A petitioner makes its unpatentability case in its petition materials. If review is instituted, the trial stage (no longer than 12 months) is dedicated largely to exploring the merits of the petitioner’s unpatentability case as stated in the petition, and the patent owner’s substantive rebuttal to that case (i.e., the patent owner’s response). Besides limited discovery, a petitioner during the trial stage of an instituted proceeding is typically limited to the filing of a reply brief in response to the patent owner’s rebuttal case. As a result of the compact nature of PTAB proceedings, the Federal Circuit and the PTAB have been forced to consider how to treat argument and evidence that arise late in the

proceeding—such as in the petitioner’s reply brief or at oral argument.

The PTAB’s rules and practice guide underscore the limited nature of this petitioner reply:

“A reply may only respond to arguments raised in the corresponding [Patent Owner Response]. § 42.23. While replies can help crystalize issues for decision, a reply that raises a new issue or belatedly presents evidence will not be considered and may be returned. The Board will not attempt to sort proper from improper portions of the reply.”²²

As such, thoroughly developing unpatentability theories and corresponding supporting evidence is of the utmost importance for petitioners seeking success before the PTAB. Recent Federal Circuit decisions confirm the necessity of such an approach.

The Federal Circuit has recently focused its attention on the procedural safeguards that protect the rights of parties involved in proceedings before the PTAB. These procedural safeguards derive from the Administrative Procedure Act (APA), which ensures that parties to an agency proceeding receive notice of the factual and legal matters at issue and have an opportunity to respond with evidence and argument. What constitutes adequate notice and opportunity to respond is well established in the context of patent examination and reexamination. However, examination is procedurally different from IPR, in which each party has one opportunity to present its case. As a result, argument and evidence that arise late in the proceeding, such as in the petitioner’s reply brief or at oral argument,

have been met with skepticism by both the Federal Circuit and the PTAB.

2016 saw numerous decisions in which the court tackled the issue of notice and opportunity to respond in the context of IPRs. The opinions issued through the first half of the year established a number of important guideposts in this developing area of the law.

- Procedural Rights Under the APA Apply to Petitioners. The PTAB cannot change the construction of undisputed claim terms in the final decision without invoking the right to respond. *SAS Institute, Inc. v. ComplementSoft, LLC*, 825 F.3d 1341 (Fed. Cir. 2016).
- An Opportunity to Respond to New Evidence Submitted in Reply Is Not Absolute. Evidence submitted in reply that goes to the state of the art does not invoke the right to respond, so long as the overall theory of unpatentability does not change. *Genzyme Therapeutic Products, LP v. Biomarin Pharmaceutical, Inc.*, 825 F.3d 1360 (Fed. Cir. 2016).

- Consideration of New Argument in Reply Is Discretionary. If the PTAB decides that argument and evidence submitted in reply is “new,” it may—under Patent Office rule—disregard the reply brief. Such a decision will be reviewed deferentially by the Federal Circuit. *Intelligent Bio-Systems, Inc. v. Illumina, Inc.*, 821 F.3d 1359 (Fed. Cir. 2016).
- The APA Requires an Opportunity to Respond When the Ground of Unpatentability Changes. Grounds of unpatentability must be stated with specificity. If the factual basis of the ground of unpatentability changes, the patent owner has a right to respond. *Dell, Inc. v. Acceleron LLC*, 818 F.3d 1293 (Fed. Cir. 2016).

These decisions have had a noticeable impact on PTAB practices. For instance, in the remand of *Dell, Inc. v. Acceleron LLC*, the PTAB decided that the theory of unpatentability presented by Dell in the reply brief was “new” and disregarded this late submission of argument and evidence rather than giving Acceleron an opportunity to respond. The case was

reconsidered strictly on the argument and evidence presented in the petition—and the patent owner won on remand.

However, the Federal Circuit decided another notice and opportunity-to-respond case late in 2016 that runs counter to the earlier decisions, *In re NuVasive, Inc.*, Nos. 2015-1672, -1673 (Fed. Cir. November 9, 2016).

While *Dell* required specificity with respect to the prior art structure alleged to satisfy a claim element, *NuVasive* found adequate specificity for a ground of unpatentability that lacked reference to a claim element and any prior art structure allegedly supplying a claim element.

In Memoriam

Fred E. McKelvey (1939-2016): The Epitome of Public Service

Judge Fred McKelvey was a legendary figure at the Patent Office. Judge McKelvey was a chemical engineer and brought an engineer's sensibility to improving patent law and processes throughout his career. He worked as an engineer, a patent examiner, a corporate patent counsel, and a Patent Office lawyer. Eventually, he became the chief legal officer of the agency. Along the way, Judge McKelvey was a judge on the Board of Patent Interferences and on the Board of Patent Appeals (predecessors to the PTAB). In 1994, he became Chief Judge of the

combined Board of Patent Appeals and Interferences, where he reformed opinion publication practices and increased efforts to hire judges with experience beyond examining.

Judge McKelvey spent his last two decades as a semi-retired "senior" judge, yet he issued thousands of opinions and orders while spearheading reform efforts that reduced patent interference pendency to under a year. Congress assigned post-grant patent review trials to the PTAB because Judge McKelvey had shown that the board could efficiently manage complex trials.

Judge McKelvey's long service, often in key roles, gave him enormous insight into institutional and legal practices. Indeed, over the last five decades, he often played a pivotal role as an advocate or decision-maker in patent law development. Judge McKelvey's political deftness, keen mind, and ferocious work ethic made him a valued advisor and mentor for countless patent lawyers and judges. He was a public servant in the best possible sense, and the patent community was privileged to have been so well served.

About WSGR's Post-Grant Practice

The professionals in Wilson Sonsini Goodrich & Rosati's post-grant practice are well suited to navigate the complex trial proceedings at the United States Patent and Trademark Office (USPTO). We have extensive experience before the PTAB, representing clients in numerous new trial proceedings, as well as reexaminations and patent interference

trials. In fact, WSGR has been ranked by *Managing Intellectual Property* magazine as one of the nation's leading law firms representing petitioners and patent owners before the PTAB. Our practice includes professionals with decades of experience at the PTAB, including former PTAB personnel. As the needs of a case may require, our team also collaborates

with other WSGR professionals, including federal court patent litigators and patent prosecutors, with doctorates or other advanced technical degrees. Our core team leverages firmwide intellectual property expertise to provide comprehensive IP solutions for clients that cover strategy, prosecution, licensing, enforcement, and defense.

To view the complete listing of endnotes for this report, please visit
<https://www.wsgr.com/WSGR/Display.aspx?SectionName=practice/2016-PTAB-yir.htm>



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