October 2017

Sterne Kessler Goldstein Fox
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Perspectives on the PTAB Newsletter

Dear ,

The PTAB Newsletter is designed to be a valuable resource for all stakeholders in the global patent arena throughout the patent life cycle. To that end, articles will provide perspectives from both sides of the "v" with an eye toward providing the most current thinking on how to increase return on investment and the value of US patents. Depending on the topic, this 360 degree approach will be explored within an article or across a series of related articles.

This month we tackle three important issues:

1. The Board's broad discretion to deny institution under 35 USC 325(d), taking into account the Board's recent informative decision;
2. Approaches for providing persuasive secondary consideration evidence, in view of several recent Federal Circuit decisions, while at the same time how to effectively challenge a strong secondary consideration position;
3. The Federal Circuit's further explanation of BRI confirming it is not broadest ***possible*** interpretation, but broadest reasonable interpretation ***consistent*** with the specification.

The secondary considerations topic will be fully discussed in a single October 2017 article, while the 325(d) topic will be explored over the next several months' Newsletters. Most months we will include an article covering a Federal Circuit decision related to a PTAB case like this month's article on BRI.

Additionally, while the staff of our Newsletter have plans to explore many issues, we welcome feedback and suggestions to ensure we are meeting the needs and expectations of all our readers. So if you have issues you wish to see explored either within an issue of the Newsletter, please reach out to me.

Finally, in the event you might have missed it, we explored the multi-part Federal Circuit decision in In re Aqua Products in a recent client alert.

In this issue

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Thank you.

Best regards,
Jason

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The Board Gives Section 325(d) Sharp Teeth

By: Trent W. Merrell and Jason D. Eisenberg

This is the first of a three-part series discussing developments around Section 325(d). Part two will appear in our November 2017 newsletter and part three will appear in our December 2017 newsletter.

Congress granted the Board broad discretionary power to deny institution of AIA proceedings under 35 U.S.C. §325(d) - denial is discretionary if Petitioner uses “the same or substantially the same prior art or arguments previously presented to the Office.” Though infrequently given as a reason for denial for the first few years following passage of the AIA, an expanded PTAB panel recently gave §325(d) sharper teeth against follow-on petitions.[i] More specifically, the expanded PTAB panel adopted a seven-factor analysis[ii] to determine whether a follow-on petition should be instituted.

Read more

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By: Gaurav Asthana, Todd Thurheimer, and Jason D. Eisenberg

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As illustrated in Figure 1 below, §325(d) has been cited in an increasing number of institution denials. What used to be a seemingly throwaway Patent Owner argument has been picking up steam and is becoming a viable, and even reliable, defense in the right circumstances.

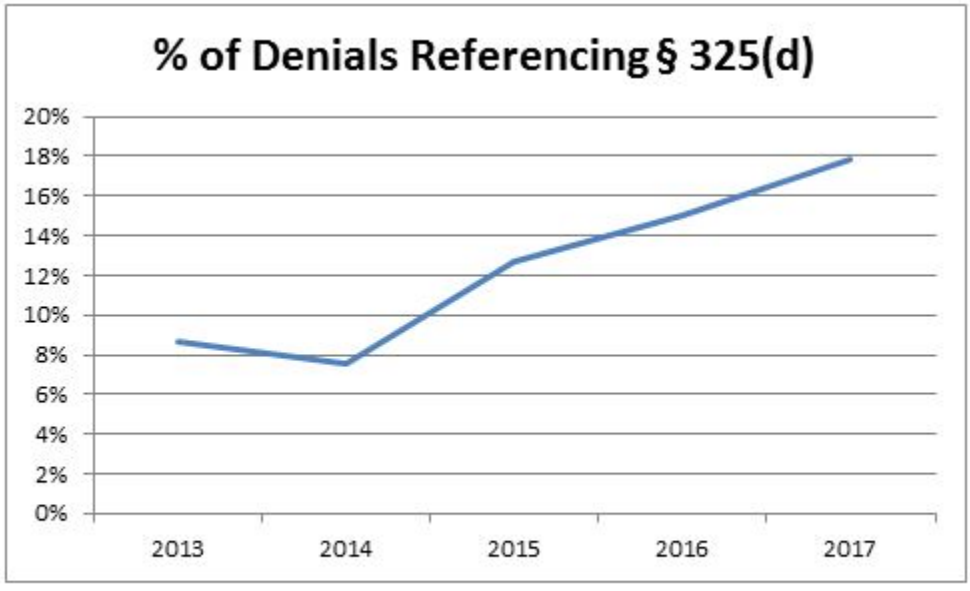

Figure 1 - The percentage of cases citing 35 U.S.C. 325(d) in denying institution.

Given the rise of §325(d) as a reason for non-institution in the last year, it is becoming even

more imperative to know how to select and use the best prior art at the outset. Yet our experience and research indicates that each PTAB panel (and each PTAB Judge) seems to apply a different threshold when determining whether to invoke their discretionary §325(d) power. So finding prior art that offers the greatest likelihood of success may be the most important decision to be made by Petitioners. But what prior art or arguments are (or are not) the same or substantially the same as those previously presented to the Office? The answer: it depends.

Even though the Board can be unpredictable, some very fact-specific trends are developing that give us some insight on how a majority of PTAB panels may treat a certain prior art reference. For example, a Petitioner needs to ask itself:

- What if the prior art was part of an Examiner's rejection during the prosecution of the patent being challenged?
- What if the prior art was cited in an Information Disclosure Statement (IDS)?
- What if the Examiner made the prior art part of the record but did not rely on it for any rejections?
- What if the prior art has been used in an *Inter Partes* Review, Post-Grant Review, Covered Business Method, re-examination proceeding, or any other proceeding before the Patent Office?
- If the prior art was cited in a prior proceeding, at what stage of the prior proceeding is the prior art no longer "available" for follow-on proceedings?
- What if a previous petition cited the prior art challenging a different claim than the claim(s) you are seeking to challenge?
- What if the Examiner overlooked a key portion of the reference or seemingly misunderstood, and thereby misapplied, the prior art?
- Can a potential §325(d) issue be overcome with an Expert Declaration where the Expert corrects previous deficiencies in the record?
- What if the prior art shares the same, or a substantially similar, specification as a reference already cited during prosecution or cited in a proceeding before the Patent Office?
- What if the prior art is a journal article that substantially mirrors a patent or patent publication cited during prosecution or cited in a proceeding before the Patent Office?

Each of the questions presented above are inquiries that may sway the PTAB panel to invoke (or not invoke) its discretionary §325(d) power.

While it can be difficult to predict with certainty how a PTAB panel might decide on a §325(d) issue, especially without knowing the specific panel members, SKGF has spent a considerable amount of time researching and studying these issues and identifying the trends as they develop.

As noted at the outset, the next two issues of this newsletter will dive deeper into the issues described above.

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[i] General Plastic Industrial Co. Ltd. v. Canon Kabushiki Kaisha, IPR2016-01357 (PTAB September 6, 2017) (Paper 15).
[ii] NVIDIA Corp. v. Samsung Elec. Co., Case IPR2016-00134 (PTAB May 4, 2016) (Paper 9).

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Despite the fact that the Supreme Court instructed in *KSR[1]* that objective indicia should serve as a bulwark against hindsight reconstruction, some courts have still been taking the bait and considering objective indicia only "secondarily." To address this misapplication, the Federal Circuit has repeatedly stewarded practitioners and jurists towards considering secondary considerations throughout the obviousness analysis, rather than as an afterthought. Despite this guidance, confusion remains, and at times, the PTAB and the federal courts continue to treat secondary considerations as the black sheep of the *Graham*-factor family. Perhaps we can paraphrase Orwell to describe this modern approach to the *Graham* factors: "all factors are equal, but some factors are more equal than others."

Lessons for Patent Owners

Searching for cases where secondary considerations of nonobviousness carried the day can feel a bit like trying to find a needle in a proverbial haystack. Many secondary-consideration-based arguments wash out because of the nexus requirement, where nexus is typically shown with respect to a novel claim element. To defeat nexus, a patent challenger can simply demonstrate that the novel element existed in the prior art. However, changes may be afoot.

With *WBIP, LLC v. Kohler Co.*, 829 F.3d 1317, the Federal Circuit clarified its holding from *Rambus Inc. v. Rea*, 731 F.3d 1248, 1257 (Fed. Cir. 2013), holding that where the allegedly obvious patent claim is a combination of prior art elements, a patent owner can show that it is *the claimed combination as a whole that serves as a nexus* for the objective evidence. Proof of nexus is not limited to objective evidence tied to the supposedly "new" feature(s). In such cases, an isolated feature being present in the prior art does not undermine evidence of non-obviousness of that feature in the claimed combination. In *WBIP*, the Federal Circuit reiterated that a presumption of nexus exists for objective considerations when the patentee shows that the asserted objective evidence is tied to a specific product and that product is an embodiment of the invention disclosed and claimed in the patent.

In the wake of *WBIP*, it is now a viable strategy to prove secondary considerations by hiding the "novelty ball," i.e., referring to the "combination of features" as the novelty rather than any one

specific feature. A patent owner can then show their product to be coextensive with the claimed combination of features to be awarded a presumption of nexus. This strategy provides defensive and pragmatic advantages. First, a challenger cannot simply void nexus by showing the single "novel" feature existed in the prior art. Second, the evidence is often easier to come by when a patent owner does not have to prove that increased sales are tied to a single feature. Instead, the increased sales of the entire product can serve as evidence of commercial success. Similar benefits apply to other secondary considerations—it is much easier to present industry praise or assert copying of a product incorporating a combination of features rather than a single claimed element.

Lessons for Patent Challengers

Are there any creative strategies patent challengers can now advance? Yes! In two recent PTAB cases, a petitioner rebutted the presumption of nexus under *WBIP* when a *single* reference taught the allegedly novel *combination of features as a whole*.[2] This is the easiest and most cost-effective way to rebut the presumption of nexus. Challengers can also still rebut the presumption of nexus the old-fashioned way: by presenting evidence affirmatively demonstrating that the objective indicia can be attributed to extraneous factors other than the patented combination. Note: this latter strategy is a bit more difficult when the nexus is to an amorphous combination of features that are coextensive with the patent owner's product.

Patent challengers would also do well to remember that the burden is on them to rebut the presumption of nexus by offering *objective evidence*. Attorney argument that the patent owner failed to show other factors were not responsible for secondary indicia amounts to improper burden shifting. In *ex parte* proceedings, the patent applicant shoulders the burden to show secondary considerations are a result of the claimed invention *and* the burden to prove that the evidence is not attributable to other factors such as unclaimed features, marketing, etc. In contrast, for *inter partes* proceedings and district court litigation, once the patent owner has provided a prima facie case that the asserted objective evidence is tied to a specific product and that product is the invention disclosed and claimed in the patent, they have met their burden. The burden then shifts to the petitioner to rebut by using "objective evidence" rather than attorney speculation about other factors that could have resulted in commercial success or attorney critique of their expert's conclusions. This objective evidence can take the form of expert declarations, consumer surveys, market analysis, sales figures, price premiums, etc. Be creative!

So perhaps "secondary considerations" will not be subject to the principal of nominative determinism in the long run. The Federal Circuit continues to guide the PTAB and federal courts away from relegating "secondary considerations" to a "secondary" status within the *Graham* factors, while providing patent owners better avenues to offer, argue, and assert objective indicia of nonobviousness.

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[1] KSR Int'l Co. v. Teleflex, Inc, 550 U.S. 398 (2007).
[2] *Shenzhen Liown Elecs. Co., Ltd.*, 8,070,319 B2, 2017 WL 500153, at *14 (Feb. 6, 2017)("in contrast to *WBIP*, we determine that the record supports the conclusion that the allegedly inventive features relied upon by Patent Owner of the claimed invention as a whole are disclosed *as a whole* by Schnuckle"). *Activision Blizzard, Inc.*, IPR2015-01996, 2017 WL 1418533, at *21 (Mar. 29, 2017) ("the claimed invention as whole, as recited in claim 1 and other claims, is described in the prior art *as a whole*, i.e., in Shoubridge.").

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This case arose in the context of an *ex parte* reexamination. Smith's corporate parent, Schlumberger, sued Baker Hughes on the '817 patent in 2012. Baker Hughes requested *ex parte* reexamination. Interestingly, once IPR proceedings became available, Baker Hughes also petitioned for inter partes review of the '817 patent, but the PTAB denied institution in favor of the ex parte reexamination.

The '817 patent is directed to a down hole drilling tool for oil and gas operations. The case primarily concerns what the word "body" means in the context of the '817 patent. Each of the independent claims recites, among other things, "a body" and a non-pivotable, moveable arm that "engages" the claimed body. The PTAB affirmed the examiner's interpretation of the term "body" as a broad term that may encompass other components such as a "mandrel" and "cam sleeve." The Examiner reasoned that "only the term 'body' is recited in the claims without further limiting features and that the specification neither defines the term 'body' nor prohibits the examiner's broad reading of it." The PTAB agreed, noting that the term "body" is a "generic term such as 'member' or 'element' that by itself provides no structural specificity." That bit about "generic terms" and the specification "not prohibiting" the construction is an unwelcome yet familiar refrain for patent owners. The Federal Circuit has finally pushed back.

In a precedential decision by Judge Lourie, the Court concluded that the PTAB's construction of "body" was unreasonably broad. The Court cited to its prior decision in *Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292, 1298 (Fed. Cir. 2015) for the proposition that the Board cannot construe claims so broadly as to be unreasonable under general claim construction principles. It also found that the '817 patent consistently describes and refers to the "body" as a component distinct from others, such as the mandrel, piston, and drive ring. So the PTAB erred in reasoning that the specification does not proscribe the Examiner's construction. The Court then instructed the PTAB that:

> The correct inquiry in giving a claim term its broadest reasonable interpretation in light of the specification is not whether the specification proscribes or precludes some broad reading of the claim term adopted by the examiner. And it is not simply an interpretation that is not inconsistent with the specification. It is an interpretation that corresponds with what and how the inventor describes his invention in the specification, i.e., an interpretation that is "consistent with the specification."

The Court went on to criticize the Board's reasoning that because the patentee did not act as his own lexicographer, and because the specification "neither defines nor precludes the examiner's reading of the term," that the examiner's construction was reasonable. Under that logic, the Court stated, "any description short of an express definition or disclaimer in the specification would result in an adoption of a broadest *possible* interpretation of a claim term, irrespective of repeated and consistent descriptions in the specification that indicate otherwise." And that, stated the Court "is not properly giving the term its broadest reasonable interpretation *in light* of the specification." The improper result was the "arbitrary inclusion and exclusion of separately described components to and from the term 'body.'" In view of the facts, the Court reversed the Board.

For patent owners, Judge Lourie's admonitions are most welcome. They should provide some ammunition against the most egregious applications of the broadest reasonable interpretation paradigm.

The case is *In re: Smith International, Inc.*, Case No. 2016-2303 (Fed. Cir. 2017)