

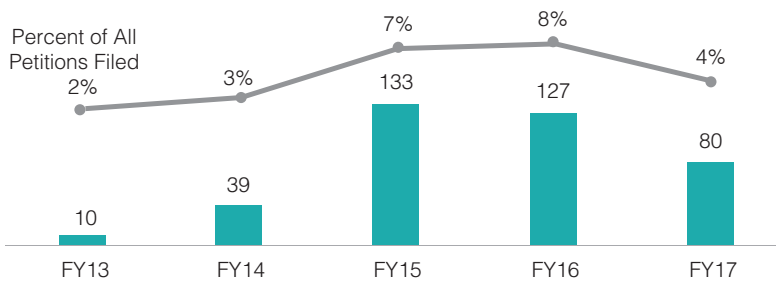
THE PTAB REVIEW

June 2018

Orange Book-Listed Patents Prove to Be Popular Targets for AIA Challenges

On March 13, 2018, Chief Administrative Patent Judge Ruschke of the Patent Trial and Appeal Board (PTAB) released findings of the Patent Office’s study of America Invents Act (AIA) trial outcomes for Orange Book (OB)-listed patents. The Patent Office evaluated data through fiscal year 2017. During that time, petitions challenging OB-listed patents cumulatively constituted approximately 5 percent of all petitions. The annualized percentage decreased in fiscal year 2017 as compared to the prior two years, as noted in the below chart.

Petitions Challenging Orange Book-Listed Patents
(As of End FY 17: 9/16/12 to 9/30/17)



Source: USPTO

Although the percentage of total petitions directed to OB-listed patents was relatively small, OB-listed patents are, on average, the subject of more petitions brought by more petitioners than non-OB-listed patents. For example, 20 percent of challenged OB-listed patents were the subject of more than two petitions, as compared to 13 percent for non-OB-listed patents. Similarly, 15 percent of all challenged OB-listed patents have more than two petitioners, compared to 6 percent for all challenged patents. In other words, OB-listed patents are challenged with successive petitions and petitioners (including joinders) more than other patents. Indeed, as shown in the below chart from a recent presentation by Chief APJ Ruschke, the joinder rate was higher for petitions challenging OB-listed patents (17 percent) than for other technologies (4 percent):

Petition Status	Orange Book	All Other Technologies
Reached Final Written Decision	21% (82)	24% (1,689)
Settled	17% (68)	22% (1,585)
Denied Institution	27% (106)	23% (1,651)
Dismissed	2% (6)	1% (103)
Joined	17% (65)	4% (289)
Open	14% (56)	22% (1,587)
Request for Adverse Judgment	2% (6)	4% (264)
Total Petitions	100% (389)	100% (7,168)

The institutional denial rate (27 percent vs. 23 percent) was slightly higher for OB-listed patents than for other technologies, and the rate of settlement was lower (17 percent vs. 22 percent).

The high-level conclusions of the study were that:

- The cumulative institution rate for petitions regarding OB-listed patents (66 percent) is very similar to the institution rate across all technologies (68 percent).

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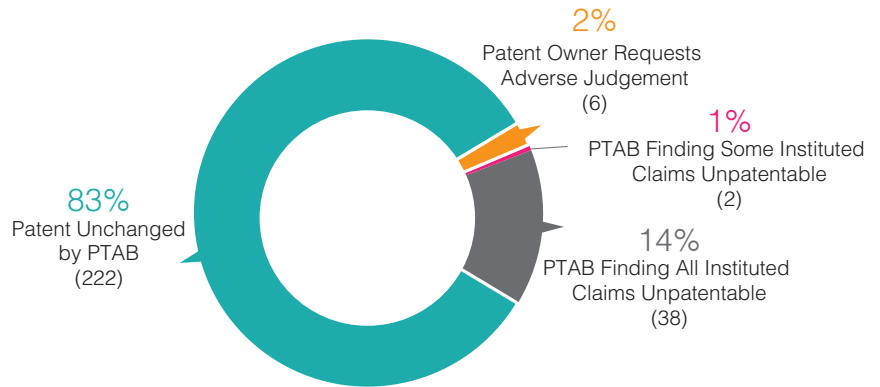
Institution Rates by Technology
(As of End FY 17: 9/16/12 to 9/30/17)



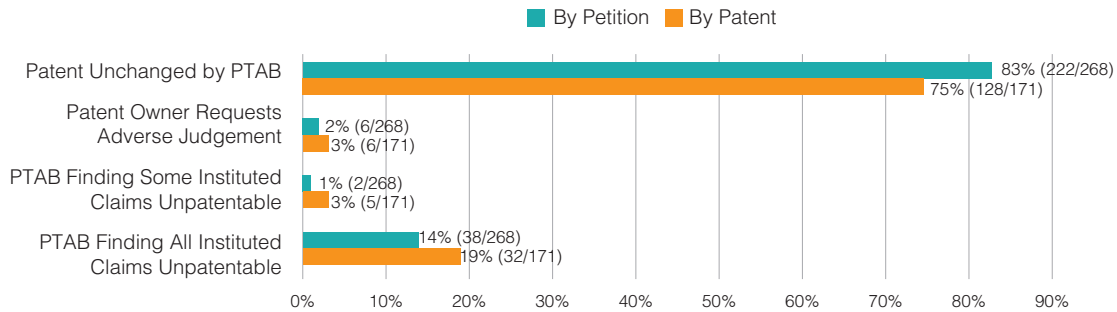
Source: USPTO

- Eighty-three percent of all petitions challenging OB-listed patents result in the patent being unchanged by the PTAB, either because institution is not granted, the *inter partes* review (IPR) terminates prior to final decision, or the final decision fully upholds all patent claims.

268 Petitions



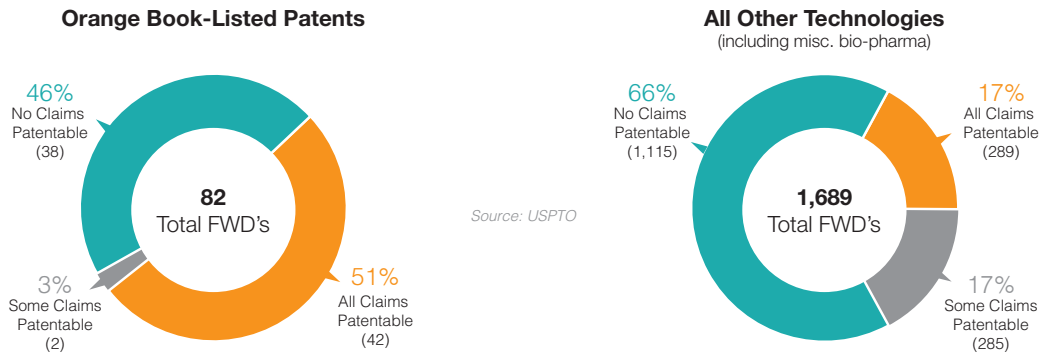
Source: USPTO



Source: USPTO

- OB-listed patents did better on average in AIA review than non-OB-listed patents:
 - More than half of final written decisions for petitions challenging OB patents find all claims patentable compared to only 17 percent for other technologies
 - Fully 54 percent of final written decisions of OB-listed patents result in at least some claims held patentable, compared to 34 percent for other technologies

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In conclusion, the Patent Office’s study suggests that OB-listed patents receive greater than average attention from petitioners, but survive AIA review with all or some claims held patentable more frequently than non-OB-listed patents.

AIA Trial Institution Rates Vary Significantly Across Technology Centers

The institution rate for *inter partes* and post-grant review was 63 percent for all petitions filed in 2017. However, the overall institution rate obscures the effect of joinder petitions—which are typically granted at a higher rate than first-filed petitions—and variation in the institution rate by Technology Center. For example, in Technology Center 2800 (Semiconductors, Electrical and Optical Systems and Components), trial is instituted in approximately 75 percent of cases. By contrast, trial is instituted in only about half of first-filed cases challenging Technology Center 1600 (Biotechnology) patents.

Institution Rates ¹		
	Overall	Excluding Joinder
Semiconductors (Technology Center 2800)	74%	72%
Electronic Commerce (Technology Center 3600)	68%	69%
Chemical (Technology Center 1700)	64%	58%
Computer (Technology Centers 2100/2400)	60%	58%
Biotechnology (Technology Center 1600)	58%	53%
Mechanical Engineering (Technology Center 3700)	52%	55%
Design (Technology Center 2900)	37%	37%

¹ These numbers exclude cases terminated prior to an institution decision.

PTAB Institutes First Derivation Proceeding Since 2011 Passage of America Invents Act

On March 21, 2018, the Patent Trial and Appeal Board (PTAB) instituted its first derivation proceeding, DER2017-00007. The America Invents Act (AIA), which passed in 2011, created derivation proceedings as a remedy for inventors whose inventions end up in someone else’s patent. However, a number of procedural hurdles have prevented a successful derivation petition until now. For comparison, over the same period, the PTAB has instituted more than 7,600 *inter partes* reviews.

While derivations occurred before the AIA, they were handled as patent interferences, which the AIA eliminated for patent applications effectively filed after March 16, 2013. The new derivation proceedings replaced patent interferences¹ as the remedy for post-AIA applications. Because post-AIA applications must have been filed in the last five years, and must not claim the benefit of a pre-AIA application, relatively few applications have been eligible for the derivation proceeding. Over the same period, post-grant reviews (which face a similar eligibility requirement) have only been instituted just around 100 times.

¹ 35 U.S.C. 135.

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Even so, it seems surprising that the first derivation has only been instituted now. One complication is the narrow window in which the challenge can be brought: the petitioner must be an applicant with allowed claims to the derived invention *and* must file the petition within one year of the publication of the copier's application or the issuance of the copier's patent, whichever comes first. Ordinarily, this means that the inventor must be monitoring the patent portfolio of potential copiers and be sure to file claims to the copied invention within one year of the copying becoming public. This is a tall order for many inventors.

Early petitions for derivations were also discouraging. The first derivation petition was filed in 2013, but it and the next 12 reported petitions all failed. Many failed because they were not eligible for a variety of reasons: the petitioner was not a patent applicant; the application was not a post-AIA application; or the claims were not yet allowed. Many petitions also failed due to the rigorous requirements for proving derivation.

The key issues in a derivation are conception and communication of the invention. The petitioner must have invented (conceived) the invention and must have communicated that conception (directly or indirectly) to the copier who filed for the patent. Proving conception can be difficult because it requires evidence of an idea. Typically, proof requires testimony from the inventors about substantially all of the limitations in the claimed invention, and corroborating evidence—evidence that supports the testimony of the inventors about those limitations. Corroboration often requires more documentation than many inventors routinely retain. Communication requires proving a chain of communication between the inventor and the copier for substantially all of the limitations in the claimed invention. Again, evidence of communication will often require retention of emails or other documentation with significant levels of disclosure.

The first derivation instituted is between Andersen Corporation (the applicant and petitioner) and GED Integrated Solutions (the patentee and respondent). Andersen contends that GED learned of Andersen's window frame invention at an industry symposium and through further confidential communications. The PTAB panel, composed of three judges who all had experience on patent interferences, began its analysis by adopting the substantive case law for derivations as it developed in interferences and related court proceedings. The panel then explained why Andersen's proofs of conception and communication to GED were facially sufficient. The PTAB expressed surprise with the way Andersen presented its case: Andersen chose to prove derivation separately for each claim, rather than proving a single derivation and then showing that the claims were not separately patentable from invention that had been communicated to the copier. The PTAB indicated, however, that either mode of presenting a petition could be acceptable.

As the panel's surprise shows, even the PTAB is learning how these new derivation proceedings will work. Patent practitioners will follow this case closely as it proceeds. Two lessons are clear from the experience so far. First, the window for petitioning is very narrow so inventors at risk of having their inventions misappropriated (e.g., by a collaborator, a competitor, or a former employee) will need to work closely with their patent advisors to ensure that they spot a derivation as early as possible and retain all of the necessary evidence. Second, derivations are procedurally tricky and require specialized skills comparable to those previously required for successfully litigating patent interferences. Nevertheless, derivations may be the only way to ensure that the inventor is not blocked from practicing or licensing its own invention by a copier's patent.

USPTO Responds to U.S. Supreme Court's *SAS* Ruling

In *SAS Institute Inc. v. Iancu*, the U.S. Supreme Court resolved whether the Patent Trial and Appeal Board (PTAB) may elect not to address all of the challenged claims. The plain language of the statute indicates that the PTAB must address all challenged claims in the final decision, but this reading is in tension with other statutory provisions that grant the PTAB discretion in instituting and administering an *inter partes* review (IPR). The director of the U.S. Patent and Trademark Office (USPTO) had resolved this tension in a rule limiting the PTAB's final decision to the claims on which the PTAB had instituted trial.

Justice Gorsuch wrote the Court's *SAS* opinion (joined by four justices), explaining that the USPTO director did not have the authority to reinterpret the statute. The Court rejected the director's assertion that the statutory design of IPRs is complex, holding instead that the institution decision is a simple yes-or-no decision with no other implications for the scope of the PTAB's final written decision. Congress, the Court explained, could have adopted the director's proposed design, but did not.

The USPTO responded to *SAS* by indicating that "if the PTAB institutes a trial, [it] will institute on all challenges raised in the petition."¹ About 30 percent of the institution decisions for cases filed in 2017 were partial institutions—that is, a significant number of ongoing cases will require panels

¹Guidance on the Implication of SAS on AIA Trial Proceedings, April 26, 2018, available at: [https://www.uspto.gov/sites/default/files/documents/guidance_on_the_implication_of_sas_on_aia_trial_proceedings_%20\(april_26,_2018\).pdf](https://www.uspto.gov/sites/default/files/documents/guidance_on_the_implication_of_sas_on_aia_trial_proceedings_%20(april_26,_2018).pdf).

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to issue supplemental institution decisions. The USPTO recently has issued guidance as to how ongoing partially instituted trials will be managed.² Depending on the stage of the trial, the PTAB may:

- adjust procedural dates;
- authorize additional briefing, evidence, and a supplemental hearing;
- receive a joint request filed by the parties to waive additional claims and/or grounds; and
- extend the 12 month statutory deadline on a case-by-case basis.

The USPTO has indicated that it will continue to institute trial on petitions that contain multiple grounds even if it finds that not all grounds meet the “reasonable likelihood” standard. That said, the USPTO also acknowledged that a multi-ground petition may be denied if it includes a ground that invokes issues of estoppel,³ substantially the same prior art and arguments,⁴ or failure to construe means-plus-function claim terms.⁵

The Federal Circuit has now endorsed the USPTO’s reading of SAS, concluding that the statute “require[s] a simple yes-or-no institution choice respecting a petition, embracing all challenges included in the petition....”⁶

² SAS Q&As, June 5, 2018, available at: https://www.uspto.gov/sites/default/files/documents/sas_qas_20180605.pdf.

³ 35 U.S.C. § 315(e).

⁴ 35 U.S.C. § 325(d).

⁵ 35 U.S.C. § 112(f).

⁶ *PGS Geophysical, AS v. Iancu*, Nos. 2016-2470, et al. (Fed. Cir., June 7, 2018)

About Our Post-Grant Practice

The professionals in Wilson Sonsini Goodrich & Rosati’s post-grant practice are uniquely 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 and in countless reexaminations and patent interference trials. 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 district court patent litigators and patent prosecutors, with technical 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.

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