Morgan Lewis

ANNUAL 2018 DIGEST

2018 PTAB DIGEST:

THE LATEST TRENDS AND DEVELOPMENTS IN POST-GRANT PROCEEDINGS

CONTENTS

INTRODUCTION

As of 2017, post-grant proceedings have been in use for five years. Designed as an alternative to district court litigation, post-grant proceedings have offered litigants a faster and more cost-effective forum for resolving patent validity disputes. In turn, the Patent Trial and Appeal Board (PTAB or Board) continues to be one of most popular venues for litigating patent disputes, with 1,799 petitions filed in 2017 alone.

Even with a five-year foundation, post-grant proceedings continue to evolve—both procedurally and substantively—from year to year, and 2017 was no exception. In the last year alone, judicial review of institution decisions was expanded to include time-bar determinations *(Wi-Fi One LLC v. Broadcom Corp.*); the burden for moving to amend challenged claims is no longer on patent owners (*Aqua Products, Inc. v. Matal*); claim constructions raised for the first time at oral argument may now be adopted by the Board (*Intellectual Ventures II LLC v. Ericsson Inc.*); and statements made by patent owners during *inter partes* review (IPR) proceedings can now support a finding of prosecution disclaimer in district court (*Aylus Networks, Inc. v. Apple, Inc.*).

Amid these changes, Morgan Lewis has helped clients navigate each stage of post-grant proceedings. We have represented both patent owners and petitioners in post-grant proceedings at the US Patent and Trademark Office (USPTO). In fact, we handled the second-ever IPR proceeding argued in front of the USPTO. Routinely recognized by numerous organizations such as Juristat, Patexia, and *Managing Intellectual Property* for its accomplishments, the Morgan Lewis post-grant proceedings team consists of lawyers with extensive patent litigation experience and technical knowledge spanning numerous disciplines. Several individual team members have been further recognized as leading IP professionals, key trailblazers, and some of the top industry-focused practitioners in the field.

Morgan Lewis stays focused on our clients' objectives and the need for regular and consistent client communications in an ever-shifting legal landscape. As part of that effort, our PTAB working group compiles our annual *PTAB Digest* to help clients stay apprised of new developments in PTAB practice.

This year's *PTAB Digest* provides an overview of PTAB statistics, trends, and updates that impact strategies and business decisions for patent owners and petitioners alike. Please feel free to reach out to us if you have any comments, questions, or suggestions or would like to hear more about our PTAB experience.

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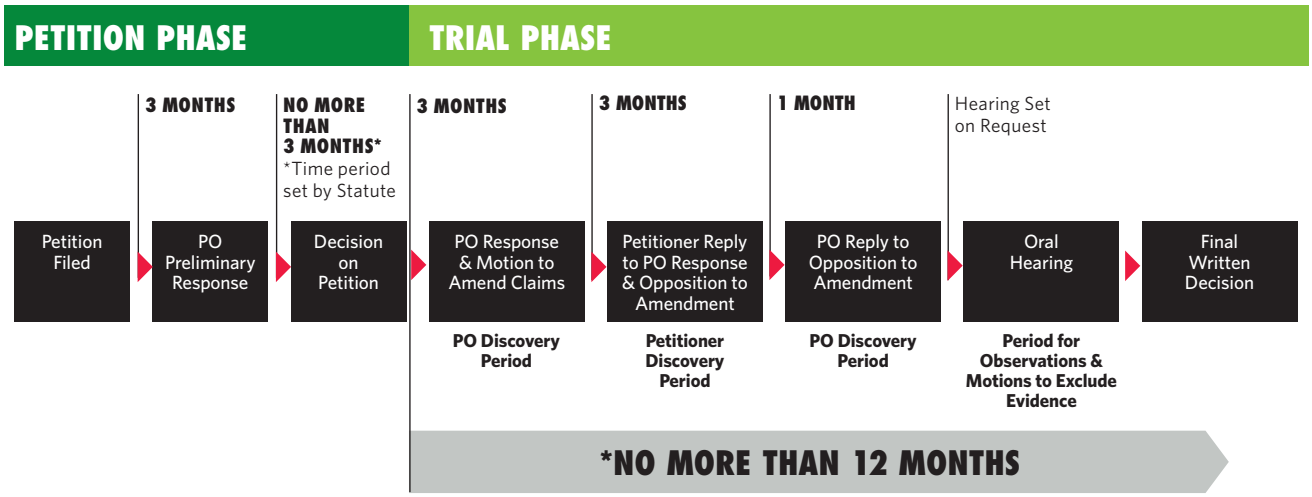
OVERVIEW OF POST-GRANT PROCEEDINGS

INTER PARTES REVIEW (IPR)

An *inter partes* review (IPR) is a trial proceeding before the US Patent Trial and Appeal Board (PTAB) for challenging the patentability of any subject matter claimed in an issued patent. Any party other than the patent owner can file an IPR petition. The only permissible grounds for challenging a patent in an IPR proceeding are anticipation and obviousness based on prior art patents or printed publications.

A challenger may initiate an IPR proceeding by an IPR petition to the PTAB asserting the unpatentability of one or more claims of a challenged patent.

TRIAL PROCEEDING TIMELINE



Source: USPTO

Within three months of the challenger's IPR petition submission, the patent owner may submit a preliminary response that may include a declaration from an expert. Upon review of the petition and the preliminary response, and within six months of the filing date the IPR petition was accorded, the PTAB will determine whether the challenger has established a reasonable likelihood that at least one claim is unpatentable.

If the PTAB institutes a trial, it will issue a scheduling order to generally complete the proceeding within 12 months of the institution date. The PTAB ultimately issues a final written decision on the patentability of the challenged claims. Either party can appeal the final decision to the US Court of Appeals for the Federal Circuit.

IPR provides several advantages to challengers as compared to litigation. An IPR proceeding is generally completed in 18 months or less from filing, whereas litigation on average takes at least two years to trial. In addition, the broadest claim construction standard and lower burden of proof for unpatentability are used in IPR proceedings versus litigation. These advantages lead to lower costs and a higher chance of success for challengers.

The downside of challenging patents via IPR is that if challengers do not prevail, they may be estopped from raising grounds that were raised or could have reasonably been raised in the IPR in subsequent proceedings before the US Patent and Trademark Office (USPTO), federal courts, and the US International Trade Commission.

IPR offers several benefits for challengers compared to other proceedings used to invalidate patents:

- IPR proceedings take less time than litigation to reach a final disposition, usually 18 months or less from filing the petition.
- IPR proceedings are substantially less expensive than litigation.
- IPR petitions may be filed at any time during the life of a patent, except for the nine months immediately following the issue date of a post–America Invents Act appeal.
- The petitioner may request a stay of any concurrent litigation in district court after filing an IPR petition.
- The standard of proof for invalidating a patent in an IPR proceeding is a "preponderance of the evidence" (~51%) rather than "clear and convincing evidence" (>70%), thereby allowing the challenger a greater likelihood of success.

IPR proceedings became available in 2013 with the enactment of the America Invents Act.

POST-GRANT REVIEW (PGR)

A post-grant review (PGR) is a trial proceeding conducted by the PTAB to determine the patentability of one or more claims of a patent that issued from an application filed after March 15, 2013.

The scope of challenges is much broader for PGRs compared to IPRs. In a PGR proceeding, the PTAB can institute trial on the basis of ineligible subject matter, lack of utility, lack of novelty, obviousness, lack of written description or enablement, and/or double patenting. Similar to an IPR proceeding, in a PGR proceeding claims in an unexpired patent are given their broadest reasonable interpretation, just as they are during prosecution before the USPTO.

Although PGR proceedings take place before the PTAB at the USPTO, they have some similarities to civil trials. In both IPRs and PGRs the parties can submit testimony in depositions and collect evidence.

To institute a PGR proceeding against a subject patent, a petitioner that has not previously filed a civil action challenging the validity of a claim of the subject patent must file a petition within nine months after patent issuance. Similar to an IPR, a PGR petitioner need not meet the standing requirements necessary for filing a declaratory judgment action in civil court, i.e., there is no requirement that there be an apprehension of suit. Also, IPR and PGR petitioners may not file their petitions anonymously.

In order to secure institution of a PGR, a petitioner must either

- show that it is more likely than not that at least one claim of the challenged patent is unpatentable, or
- raise a novel or unsettled legal question that is important to other patents or applications.

If the petition is granted, the PGR petitioner need only demonstrate the unpatentability of a challenged claim by a "preponderance of the evidence" rather than the "clear and convincing" standard used in civil court. A final determination by the PTAB will generally issue within one year of institution of the PGR (or 18 months from filing).

Although PGR is used as an alternative to civil litigation, a petitioner should be wary of the estoppel effects of a PGR proceeding on subsequent litigation or other administrative proceedings (e.g., US International Trade Commission or USPTO actions). For example, if the PTAB issues a final written decision regarding the patentability of a claim, the petitioner(s) will be estopped from raising arguments in subsequent litigation or other administrative proceedings that were raised *or reasonably could have been raised* during the PGR.

PGR offers several benefits for a challenger compared to other proceedings used to invalidate a patent:

- PGR proceedings take less time than litigation to reach a final disposition—typically 18 months or less.
- PGR proceedings are a cost-effective alternative to litigation.
- The challenger's standard of proof for invalidating a patent is preponderance of the evidence rather than clear and convincing evidence, giving the challenger a greater likelihood of success.
- In addition to anticipation and obviousness based on printed publication or product prior art, a challenger may assert unpatentability of a patent on the basis of lack of enablement, lack of written description, and lack of patent-eligible subject matter (IPR proceedings allow only anticipation and obviousness challenges based on printed publications).

COVERED BUSINESS METHOD (CBM) PROCEEDINGS

Patents related to certain business methods may be challenged for patentability at the USPTO through a covered business method (CBM) review proceeding.

The transitional program for CBM patent reviews applies only to "covered business method patents," i.e., those patents that claim 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. Claims for "technological inventions" are excluded from this definition. To be afforded review, the claims need to cover products and services that are financial in nature, while products and services that are only incidental to a financial activity likely will not be reviewed under CBM proceedings.

CBM proceedings are only available to persons who are accused of infringement of a covered business method patent. Generally, if a person is able to bring a declaratory judgment motion on a patent, he or she is eligible to file a CBM petition. However, a CBM petition cannot be filed if a PGR petition is available (i.e., within nine months after the issue date of a patent filed after March 15, 2013).

Similar to PGR proceedings, CBM proceedings may be used to challenge a claim of an issued patent on the grounds of utility, novelty, obviousness, written description, enablement, or double patenting.

Although CBM proceedings use many of the same standards and procedures as IPR and PGR proceedings, the estoppel provisions for CBM proceedings are different. Specifically, grounds that were not raised in a prior CBM proceeding but that reasonably could have been raised may still be raised in subsequent district court proceedings. However, like estoppel in a PGR proceeding, a challenger may not pursue subsequent actions in the USPTO based on any ground that was actually raised or reasonably could have been raised in the prior CBM proceeding.

The transitional program for CBM patent reviews is set to expire in September 2020.

EX PARTE REEXAMINATION

Ex parte reexamination may be requested by either a patent owner or a third party in order to challenge the novelty or nonobviousness of one or more claims in a patent. The scope of prior art submitted in support of the challenge is limited to printed publications and patents, while other types of prior art (such as product prior art) are inadmissible.

A request for ex parte reexamination can be filed at any time after a patent is granted and up to six years after it expires (a case-by-case determination may result in longer or shorter applicable time periods). A third party's involvement ceases after the party files the request. Upon review, the central reexamination unit of the USPTO will decide whether submitted prior art raises a substantial new question of patentability. Although ex parte reexaminations may take several years to conclude, there is no statutory time limit for the proceedings.

Ex parte reexamination provides several benefits for a third-party challenger compared to other proceedings used to invalidate a patent:

- Ex parte reexamination is a cost-effective alternative to litigation.
- The request can be submitted anonymously, e.g., the challenger may engage a third party for filing the request, thereby avoiding attention from the patent owner.
- The patentability threshold is lower than in court proceedings, increasing the likelihood of invalidating the challenged patent.
- Claims of the challenged patent are often narrowed, effectively removing an infringing article from the scope of the reexamined patent claims (amendment also has negative implications).
- Ex parte reexamination proceedings do not create legal estoppel.

Ex parte reexamination is not only available to challenge a patent; patent owners also may use the proceedings to test an issued patent. A patent owner looking to assert its patent, and therefore anticipating an invalidity challenge, may choose to initiate an ex parte reexamination before any litigation in order to resolve any anticipation or obviousness concerns about the patent. Having survived an ex parte reexamination, the patent then becomes more difficult to invalidate in a court proceeding on similar challenges.

DERIVATION PROCEEDINGS

A petitioner can use derivation proceedings to challenge the inventorship of an invention claimed in a published pending application or an issued patent. Only applications and patents having at least one claim with an effective filing date after March 15, 2013 are eligible for derivation proceedings. Derivation proceedings generally follow other PTAB trial procedures, such as an IPR or PGR, and may include limited discovery regarding issues specific to derivation.

A petitioner can use derivation proceedings to demonstrate that the filer of the patent "derived" the invention from the petitioner. Derivation proceedings are not designed to determine the "first to invent."

A petition requesting derivation proceedings must be filed within one year of publication of a pending application or one year of issuance of a patent, whichever is earlier, that claims the same or substantially the same invention as the invention in the petitioner's application. The petition must state with particularity the basis for finding that (a) an individual named in the earlier-filed application derived the invention from an individual named in the petition, and (b) the earlier application claiming the invention was filed without authorization.

A petition for derivation will be deemed insufficient unless it is supported by substantial evidence that includes at least one affidavit detailing corroborated communications of the invention to the first filer and a lack of authorization in filing the first application.

The PTAB may, in appropriate circumstances, correct the naming of an inventor in any application or patent at issue. In the alternative, the PTAB may refuse the claims of the earlier-filed application or cancel the claims of the involved patent. A decision adverse to the petitioner constitutes a final refusal of the petitioner's pending claims at issue.

Similar to patent interferences, and where applicable, derivation proceedings offer challengers a less costly opportunity to contest ownership of patented subject matter where the only alternative may be litigation.

PATENT INTERFERENCES

A patent interference is an *inter partes* proceeding to determine which party was the first to invent commonly claimed subject matter. An interference is also a viable procedure for challenging the validity of an issued patent or otherwise allowable claim(s) under virtually any theory of invalidity—provided that the challenged claims have an effective filing date of earlier than March 16, 2013. Applications with an effective filing date of March 16, 2013 or later are not subject to interference proceedings.

The only party that has standing to initiate or request an interference is an applicant with a pending patent application that contains allowable claims toward the same or substantially the same invention claimed in another pending application or unexpired patent. In addition, a patent examiner can initiate an interference proceeding sua sponte if the claims are otherwise allowable.

Once declared, the PTAB conducts the interference proceeding in two stages to determine which party was the first to invent the commonly claimed (i.e., interfering) subject matter. During the preliminary phase, each party can challenge the validity or patentability of the opponent's claims involved in the interference on almost any basis—including prior art, support, and derivation. This preliminary phase may also include limited discovery such as expert witness depositions. At the conclusion of the preliminary phase, the PTAB issues a decision on the validity or patentability of each challenged claim. If all of a party's involved claims are declared invalid or unpatentable, the interference is concluded with the surviving party being awarded priority of invention.

If each party has at least one claim that survives the preliminary phase, the PTAB conducts the priority phase to determine which party was the first to invent the commonly claimed subject matter. The priority phase also includes limited discovery—including expert witness depositions and the exchange of highly confidential documents such as invention records, internal communications, and inventor notebooks—for each party to establish its earliest possible dates of conception and/or reduction to practice.

Where applicable, patent interferences provide a substantial benefit for challenging ownership of a patent where the only alternative may be litigation.

THE CHANGING LANDSCAPE OF PATENT DISPUTES

LOOKING BACK ON 2017, THE AMERICA INVENTS ACT (AIA) OF 2011 HAS CREATED A LASTING CHANGE TO THE LANDSCAPE OF PATENT DISPUTES.

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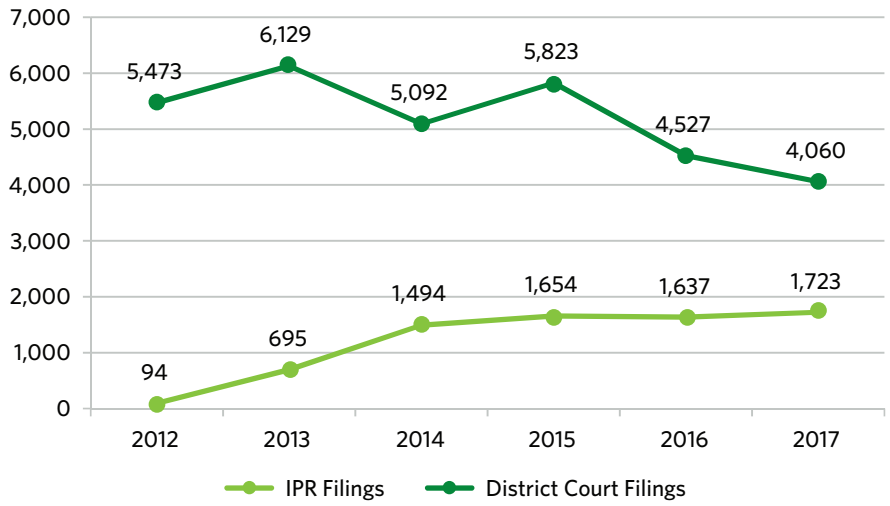
Dissatisfied companies targeted by patent litigation have enthusiastically used the AIA's *inter partes* review (IPR) and other post-grant proceedings. Our review of these proceedings has revealed several significant trends, which are summarized below.[1]

IPR FILINGS REMAIN CONSISTENTLY HIGH

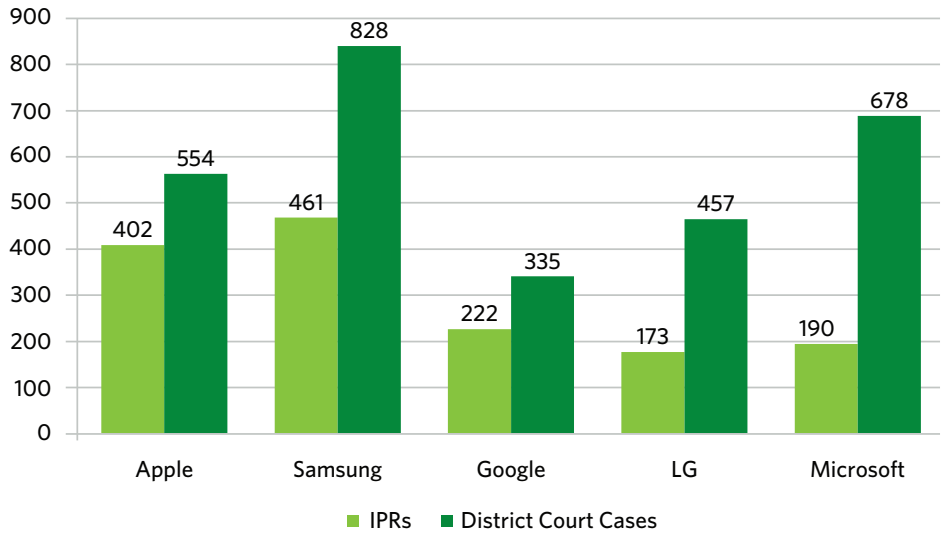
Since 2013, the number of IPR petition filings has increased. Meanwhile, district court patent litigation has been steadily trending downward.



District court filing trends stayed on course for 2017 with a mere 4,060 filings, but IPR filings saw a bit of an uptick to approximately 1,723 filings. Thus, IPR proceedings continue to play a prominent role in the patent landscape.

TECH FIRMS CONTINUE TO EMBRACE IPRS

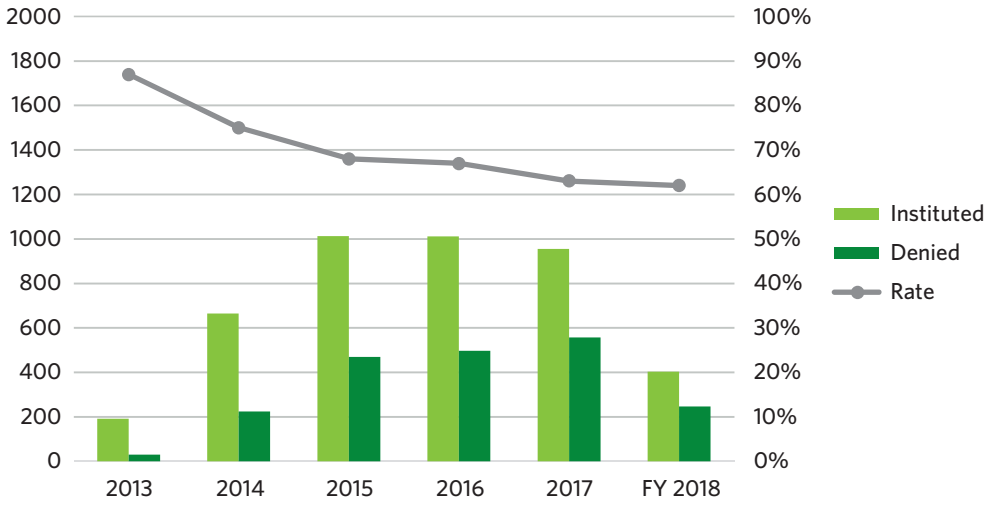
Technology firms have likewise embraced IPRs as a vehicle for patent-dispute management and resolution. IPRs are a less expensive alternative to prolonged litigation because they offer an opportunity to invalidate asserted patents or negotiate settlement. Unsurprisingly, tech firms with the busiest patent litigation dockets also have a busy IPR docket.[2]



[1] We compiled these statistics using Docket Navigator and Lex Machina. They should be treated as estimates throughout.

[2] These statistics are current as of May 3, 2018 based on information available from Docket Navigator.

INSTITUTION RATES DECLINE



From year to year, institution rates have steadily declined. This decline may be largely due to a maturing post-grant proceeding practice across the industry, including refinements to preliminary response filings. The PTAB itself may also play a role in the decline, as the judges continually adapt to post-grant procedure and substance, thereby creating a larger body of precedent for determining what constitutes a strong or weak petition.

The statistics serve as a reminder that institution is not guaranteed.[3] Strategic implications necessarily result where a decision denying an IPR petition or instituting trial is "final and nonappealable."[4] Moreover, the PTAB's institution decision may be admissible in subsequent district court proceedings if relevant and probative to the proceedings under Fed. R. Evid. 403.[5]

Additionally, the US Supreme Court's recent decision in *SAS Institute Inc. v. Iancu*[6] is anticipated to impact institution rates. Precisely how that impact will manifest itself is yet to be determined.

PRELIMINARY RESPONSES WITH EXPERT DECLARATIONS

Following the rule changes in May 2016, a patent owner may now submit expert declarations in support of its preliminary response. But the majority of patent owners have yet to use this new option. For those that have submitted expert declarations in support, no meaningful impact on institution rate has been seen. Whereas trial was instituted in 59% of preliminary responses with expert declarations, trial was instituted in 58% of preliminary responses without expert declarations.[7]

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[3] FY 2018 institution rate statistics are through February 28, 2018 per USPTO Trial Statistics, https://www.uspto.gov/sites/default/files/documents/trial_statistics_20180228.pdf.

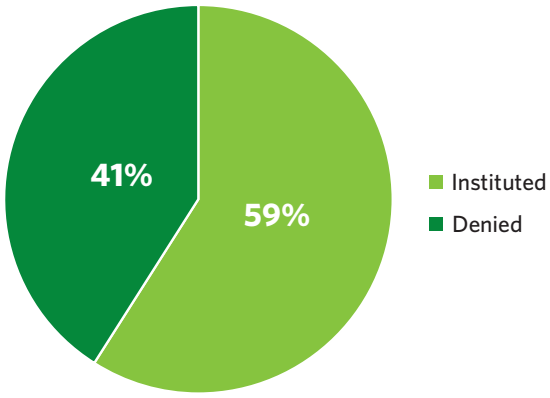
[4] 35 U.S.C. § 314(d).

[5] *Compare, e.g., Interdigital Commc'ns Inc. v. Nokia Corp.*, No. CV 13-10-RGA, 2014 WL 8104167, at *1 (D. Del. Sept. 19, 2014) (excluding denial of petition because it is not a "decision on the merits" and is of "marginal relevance"), *with Universal Elecs., Inc. v. Universal Remote Control, Inc.*, No. SACV-12-00329-AG (JPRx), 2014 WL 8096334, at *7 (C.D. Cal. Apr. 21, 2014) (denying motion to exclude evidence of denied petition because "[a]ny potential confusion can be addressed by appropriate jury instructions on the standard of proof applicable to patent invalidity defenses and counterclaims").

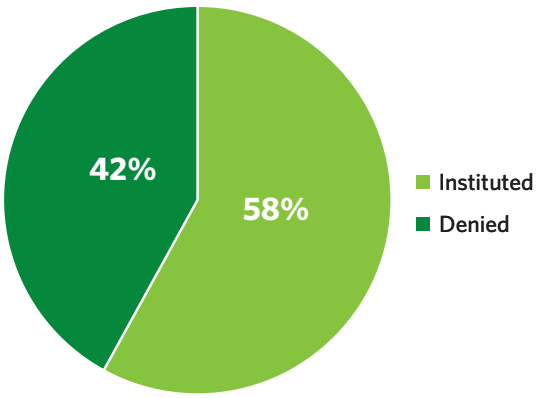
[6] 138 S.Ct. 1348 (Apr. 24, 2018).

[7] These statistics account for FY 2017 and 2018 YTD.

Institution Rate: Preliminary Response with Declaration



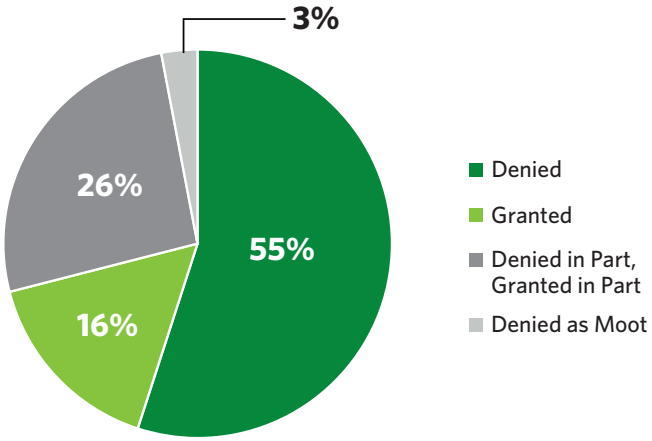
Institution Rate: Preliminary Response without Declaration



ADDITIONAL DISCOVERY

"Routine" discovery is allowed in all proceedings. This includes exhibits cited in papers or in testimony, cross-examination of testimonial witnesses, and "relevant information that is inconsistent with a position advanced" by a party to the proceeding.[8] Additional discovery may be available if the moving party shows that it is in the "interests of justice."[9] In *Garmin International, Inc. v. Cuozzo Speed Technologies, LLC*,[10] the Board set forth five factors that it will consider to determine whether additional discovery is in the "interests of justice": (1) more than a possibility and mere allegation, (2) litigation positions and underlying basis, (3) ability to generate equivalent information by other means, (4) easily understandable instructions, and (5) requests are not overly burdensome to answer. The USPTO has explained that "[t]he list of factors set forth in *Garmin* is not exhaustive."[11]

Motions for Additional Discovery



Based on our review of the statistics, the Board has been willing to grant some additional discovery beyond the "routine" categories.

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[8] *See* 37 C.F.R. § 42.51(b)(1).

[9] *Id.* § 42.51(b)(2).

[10] IPR2012-00001, 2013 WL 11311697, at *3-8 (P.T.A.B. Mar. 5, 2013) (citing Paper 20, 2-3).

[11] Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, 81 Fed. Reg. 18750, 18757 (Apr. 1, 2016).

The Board's decision in *Snap-On Inc. v. Milwaukee Electric Tool Corp.*[12] is one example. In *Snap-On*, the petitioner sought additional discovery of 12 documents, which the petitioner asserted would "demonstrate that the subject matter of the challenged claims was conceived and reduced to practice by" persons other than the named inventors.[13] The petitioner argued that the additional discovery was in the interests of justice because the documents were relevant to the patent owner's assertion that a specific prior art patent was not available as prior art in the proceedings.[14]

The Board determined that the Garmin factors favored granting the petitioner's request. First, the motion, which sought evidence aimed at antedating the prior art patent, raised more than a possibility that useful evidence would be discovered. Specifically, the motion targeted relevant information as to whether and when the named inventors conceived and reduced to practice the claimed inventions, and whether conception was coupled with due diligence before the filing of a patent application.[15] Second, the requested discovery would not reveal any litigation position because the patent owner had already produced the 12 documents to the petitioner in related district court litigation.[16] The third *Garmin* factor was neutral because the petitioner asserted that the patent owner possessed the requested documents, and the patent owner countered that the petitioner could secure the documents from the nonparty whose employees were alleged to have contributed to the invention.[17] Fourth, the Board concluded that the discovery requests reflected easily understandable instruction.[18] And fifth, the Board determined that the petitioner's request was not unduly burdensome where the patent owner itself had injected the antedating issue into the proceedings, and the antedating issue was potentially dispositive.[19] Therefore, because it would further the interests of justice by further developing the record on the antedating issue, the Board granted the motion for additional discovery.[20]

REQUESTS FOR REHEARING

The Board's decision whether to institute trial is "final and nonappealable."[21] As such, the only remedy available to a party dissatisfied with the Board's decision on institution is to file a request for rehearing.[22]

A request for rehearing is akin to a motion to reconsider in district courts in that no formal rehearing is conducted. Rather, the decision on the reconsideration itself is the "rehearing." The request must specifically identify all matters that the party believes the Board to have misapprehended or overlooked and the place where each matter was addressed previously.[23] A request for rehearing is not an opportunity to present new arguments or evidence that could have been presented in the petition.[24]

Yet requests for rehearing are rarely granted. Since 2014, the vast majority of requests have been denied, and the number granted has not exceeded single digits. Looking specifically to requests for rehearing of decisions on institution, the success rate is even more dismal.

One possible reason for the low success rate is the movant's high burden. The movant must show that "the Board misapprehended or overlooked" matters in its previous ruling.[25] Still, a request for rehearing may be a party's best or only option after receiving an unfavorable decision.

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[12] IPR2015-01242, IPR2015-01243, Paper 40 (P.T.A.B. May 26, 2016).

[13] *Id.* at 3.

[14] *Id.*

[15] *Id.* at 3-4.

[16] *Id.* at 4.

[17] *Id.*

[18] *Id.*

[19] *Id.* at 4-5.

[20] *Id.* at 5; *see also Seadrill Am., Inc. v. Transocean Offshore Deepwater Drilling, Inc.*, IPR2015-01929, IPR2015-01989, IPR2015-01990, Paper 67 (P.T.A.B. Oct. 27, 2016) (granting the petitioner's motion for sealed transcript portions of patent owner's Fed. R. Civ. P. 30(b)(6) designee's deposition); *Brunswick Corp. v. Cobalt Boats, LLC*, IPR2015-01060, Paper 20 (P.T.A.B. Dec. 28, 2015) (granting the patent owner's motion for information already available to it in the co-pending federal district court case but subject to a protective order).

[21] 35 U.S.C. § 314(d); *see also Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2139-41 (2016).

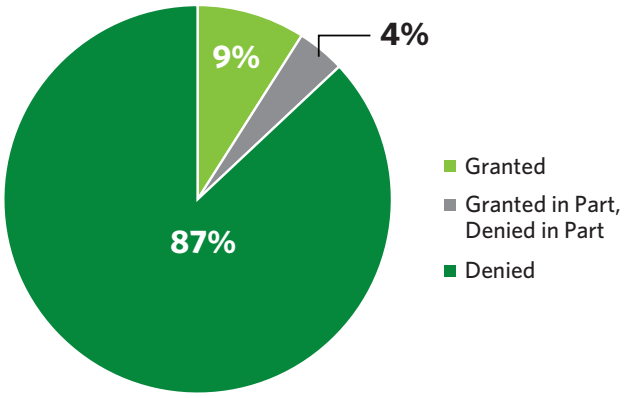
[22] 37 C.F.R. § 42.71.

[23] *Id.* § 42.71(d).

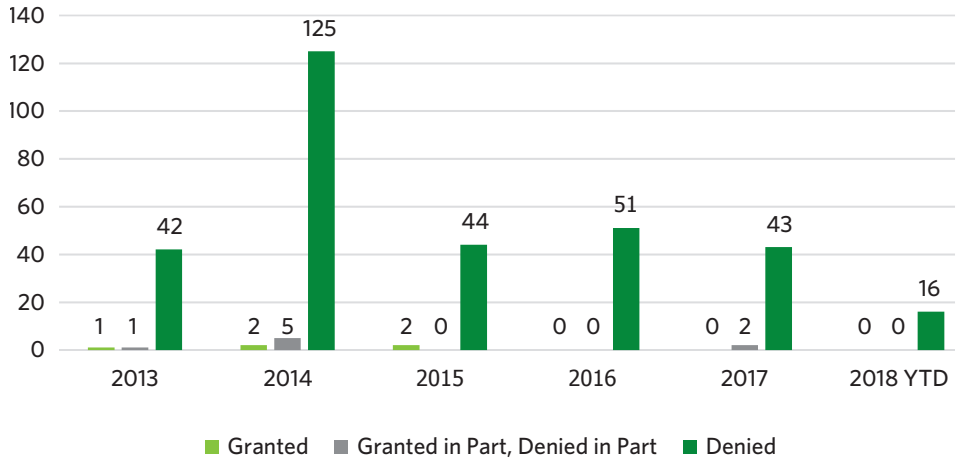
[24] *Foursquare Labs, Inc. v. Silver St. Intellectual Techs., Inc.*, IPR2014-00159, 2014 WL 3945911, at *4 (P.T.A.B. Aug. 1, 2014).

[25] 37 C.F.R. § 42.71(d).

Success of Requests for Rehearing



Success of Requests for Rehearing: Decisions on Institution



MOTION TO AMEND CLAIMS

The US Court of Appeals for the Federal Circuit issued an en banc decision in *Aqua Products, Inc. v. Matal*[26] on October 4, 2017. The issue was which party has the burden of proof when considering the patentability of substitute claims put forth in a motion to amend filed under 35 U.S.C. § 316(d). Consisting of five separate opinions, the binding portion of the decision consisted of two legal conclusions: "(1) the PTO has not adopted a rule placing the burden of persuasion with respect to the patentability of amended claims on the patent owner that is entitled to deference; and (2) in the absence of anything that might be entitled to deference, the PTO may not place that burden on the patentee."[27]

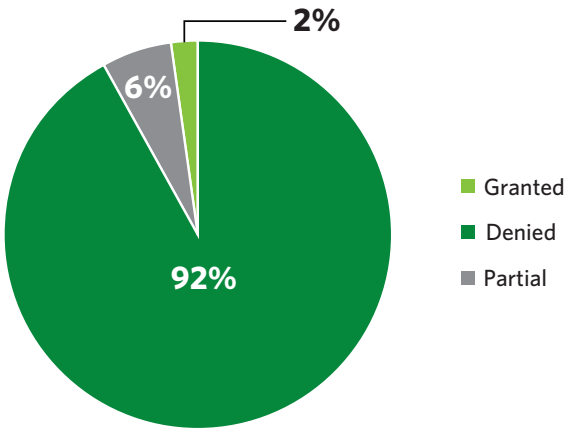
[26] 872 F.3d 1290 (Fed. Cir. 2017).

[27] *Id.* at 1327; *see also Bosch Auto. Serv. Sols., LLC v. Matal*, 878 F.3d 1027, 1040 (Fed. Cir. 2017), *as amended on reh'g in part* (Mar. 15, 2018).

Following the Federal Circuit's en banc decision, the USPTO issued a memorandum regarding "Guidance on Motions to Amend in view of *Aqua Products*."[28] The memorandum states that, "[i]n light of the *Aqua Products* decision, the Board will not place the burden of persuasion on a patent owner with respect the patentability of substitute claims presented in a motion to amend."[29] Instead, "if a patent owner files a motion to amend (or has one pending) and that motion meets the requirements of 35 U.S.C. § 316(d) . . ., the Board will proceed to determine whether the substitute claims are unpatentable by a preponderance of the evidence based on the entirety of the record, including any opposition made by the petitioner."[30]

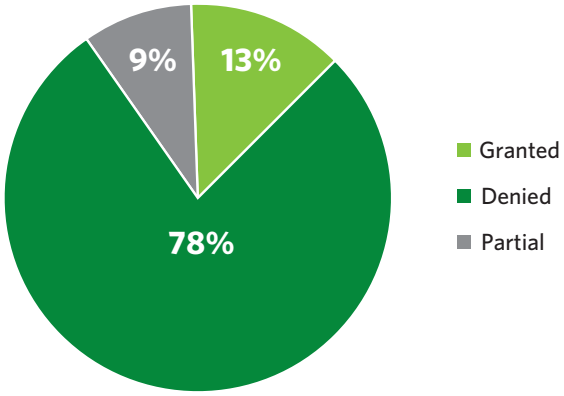
In its pre-*Aqua Products* Motion to Amend Study published just prior to the Federal Circuit's en banc decision in *Aqua Products*, the USPTO reported that 92% of motions to amend to substitute claims had been denied.[31] Only 2% of motions had been granted in full.[32]

Motion to Amend – Substitute Claims (Pre-*Aqua Products*)



Given that the application of the Federal Circuit's en banc decision is relatively nascent, the effect of the decision, if any, is yet to be determined. The limited data now available, however, shows a slight increase in the number of motions granted: whereas 2% were granted pre-*Aqua Products*, 13% have been granted post-*Aqua Products*.

Motion to Amend – Substitute Claims (Post-*Aqua Products*)



[28] *See* Memorandum from David P. Ruschke, Chief Administrative Patent Judge, to PTAB (Nov. 21, 2017), https://www.uspto.gov/sites/default/files/documents/guidance_on_motions_to_amend_11_2017.pdf.

[29] *Id.* at 2.

[30] *Id.*

[31] *See* Patent Trial and Appeal Board: Motion to Amend Study, USPTO at 6 (Sept. 30, 2017), https://www.uspto.gov/sites/default/files/documents/PTAB%20MTA%20Study%20%203%20%20update%20through%2020170930.pdf.

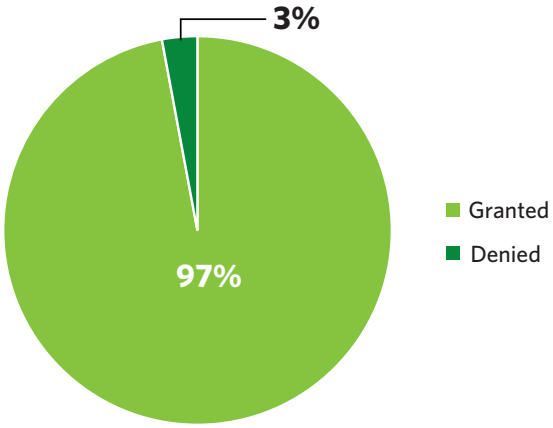
[32] *Id.*

TERMINATION

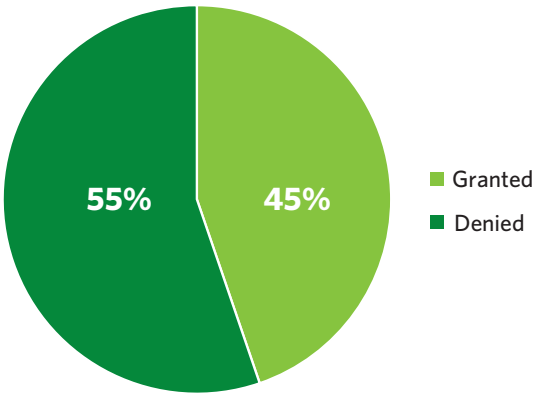
Parties to an IPR proceeding may agree to settle any issue in a proceeding by filing a joint motion to terminate the proceedings.[33] A party must first obtain Board authorization to file a motion.[34] The joint motion must be in writing, and the parties must file a true copy with the Board before the trial's termination.[35]

But the Board reserves the right to "independently determine any question of jurisdiction, patentability, or Office practice."[36] The Board is more likely to grant a joint motion to terminate proceedings when the case is in the preliminary proceeding stage and no decision whether to institute trial has been made.[37] And, unsurprisingly, settlement motions are more prevalent before the institution decision occurs, when parties can curb the proceeding's forthcoming time requirements and cost.

Unopposed Motion to Terminate: Pre-Institution



Unopposed Motion to Terminate: Post-Institution



Conversely, the Board is less likely to grant the joint motion where the request is filed late in the proceedings at a time when there is a public interest in resolving the issues.[38] Therefore, the earlier that the parties file their joint motion to terminate proceedings, the more likely the Board is to grant the motion.

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[33] 35 U.S.C. § 317; 37 C.F.R. § 42.74(a).

[34] 37 C.F.R. § 42.20.

[35] *Id.* § 42.74(b).

[36] *Id.*

[37] *See, e.g., Cisco Sys., Inc. v. Spherix Portfolio Acquisition II, Inc.,* IPR2015-00999, 2015 WL 9599207, at *1 (P.T.A.B. Dec. 4, 2015) ("These proceedings are in their early stages. For example, Patent Owner has not filed a Patent Owner Response. As a result, we have not yet decided the merits of these proceedings. Under these circumstances, we determine that it is appropriate to terminate these proceedings as to both Petitioner and Patent Owner without rendering a final written decision."); *Masimo Corp. v. Mindary DS USA, Inc.*, IPR2015-01240, 2015 WL 9599224, at *2 (P.T.A.B. Nov. 18, 2015) ("The trial phase of this proceeding is it [sic] in its early stages, as Patent Owner has not yet filed a Patent Owner Response and Petitioner has not yet filed a Reply. Under these circumstances, we are persuaded that it is appropriate to terminate this proceeding with respect to both Petitioner and Patent Owner.").

[38] *See, e.g., Apple, Inc. v. OpenTV, Inc.*, IPR2015-00969, IPR2015-00980, Paper 29 (P.T.A.B. Sept. 10, 2016) (denying joint motion to terminate proceedings where the parties completed all briefing, the Board held oral hearings, the Board deliberated and decided the merits of each proceeding before the request was filed, the agreements involved signatories not identified as real parties in interest, and each party acknowledged that it individually was not aware of some of the agreements' contents); *Apple, Inc. v. Smartflash, LLC*, CBM2015-00015, Paper 49, at 6 (P.T.A.B. Nov. 4, 2015) ("There is a public interest in resolving the issues raised by these challenges because the record is fully developed.").

CONCLUSION

IPR proceedings remain ever prevalent to intellectual property dispute resolution. Statistical compilations and case law analysis provide insight into successful avenues before the USPTO that may guide future IPR strategies. We continually build upon this knowledge of IPR proceedings to offer focused services and positive outcomes for our clients.

PTAB DEVELOPMENTS

HIGHEST PATENT COURT NARROWS SCOPE OF COVERED BUSINESS REVIEW

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A PATENT DOES NOT QUALIFY FOR "COVERED BUSINESS METHOD" REVIEW IF ITS CLAIMS ARE ONLY INCIDENTAL TO A FINANCIAL ACTIVITY.

The US Court of Appeals for the Federal Circuit (CAFC) recently decided that a claimed method (in this case authenticating formatted data in a web page) is not a Covered Business Method (CBM) for review purposes under the America Invents Act (AIA) if the method is only incidental to a financial activity. *Secure Axcess LLC v. PNC Bank Nat'l Ass'n*, CAFC case number 16-1353.

CBM reviews are adversarial administrative proceedings before the US Patent Trial and Appeal Board (Board) allowing accused infringers to challenge the validity of an allegedly infringed patent on any patentability ground, so long as the patent is a CBM patent, i.e., "a patent 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." AIA §§ 18(a)(1)(E), 18(d)(1).

THE '191 PATENT

Independent claim 1 of US Patent No. 7,631,191 (the '191 patent), owned and asserted by Secure Axcess, recites:

> 1. A method comprising:
> transforming, at an authentication host computer, received data by inserting an authenticity key to create formatted data; and
> returning, from the authentication host computer, the formatted data to enable the authenticity key to be retrieved from the formatted data and to locate a preferences file, wherein an authenticity stamp is retrieved from the preferences file.

As the court notes, the '191 patent is in the general area of computer security, and, in particular, relates to webpage authentication. While the patent describes that the methods at issue can be used for activities that are financial in nature (e.g., as applicable to a bank website), the patent does not limit application of the methods to only financial activities.

PATENT TRIAL AND APPEAL BOARD PROCEEDINGS

At the institution of the CBM, the Board determined that the '191 patent qualified as a CBM patent[1] and provided its reasoning in the consolidated final written decision. The Board argued, *inter alia*, that the '191 patent relates to providing websites to bank customers and, therefore, the methods of the '191 patent are used in the administration of a financial product or service. The Board relied in part on the legislative history of the AIA, noting for example that one legislator was of the opinion that website functionality is an ancillary activity falling under the statutory "practice, administration and management of a financial product or service" language. The Board determined that the '191 patent was not for a technological invention, which would have otherwise qualified the '191 patent for the exception to the CBM statutory definition. The Board determined that the '191 patent claims would have been obvious over the cited prior art and were therefore unpatentable.

COURT OF APPEALS FOR THE FEDERAL CIRCUIT DECISION

Since the US Patent and Trademark Office is an administrative agency, the CAFC reviewed the Board's determination under the Administrative Procedure Act (APA), which gives the reviewing court the power to "hold unlawful and set aside agency action, findings, and conclusions found to be… arbitrary [or] capricious, an abuse of discretion, or otherwise not in accordance with law… [or] in excess of statutory jurisdiction, authority, or limitations, or short of statutory right." 5 U.S.C. § 706(2).

The CAFC disagreed with both parties as to the applicable standard of review. In the court's view, the issue was not whether the Board's decision was arbitrary or capricious, i.e., whether the '191 patent is, or is not, a CBM patent. Rather, the court stated, the issue was whether the Board properly understood the scope of the statute, i.e., whether it acted "not in accordance with law, and in excess of statutory jurisdiction [and] authority, and short of statutory right."

In stark contrast to the Board's reasoning, the CAFC stated that "Congress did not leave the decision of what qualifies as a CBM patent to chance." *Secure Axcess LLC*, CAFC case number 16-1353 (citing *Conn. Nat'l Bank v. Germain*, 503 U.S. 249, 253-54 (1992) ("in interpreting a statute… courts must presume that a legislature says in a statute what it means and means what it says")). First, the court found that the statutory language "a patent that claims" refers plainly to the claims of the patent. While the court agrees that the written description of the patent can properly be invoked in constructing the claims, the court cautions that the written description cannot be used to fill the gaps for what may be missing in the patent claims.

The court then found that the '191 patent's claims simply do not cover a financial product or service. The court took particular aim at the Board's determination that the methods claimed by the '191 patent are *incidental to a financial activity*. Consistent with its previous decision in *Unwired Planet*,[2] the court held that "incidental to a financial activity" is not part of the statutory definition of a CBM patent, and that such a definition is beyond the scope of the statutory standard. Notably, the court distinguished its holding in *Blue Calypso*,[3] where it agreed with the Board's determination that the claimed methods at issue were "financial in nature," and therefore properly reviewed under the CBM, because the *financial in nature* determination did not broaden the statutory definition of a CBM patent.

In a dissenting opinion, Circuit Judge Alan D. Lourie stated that the '191 patent claims fall under the statutory language of a "method or apparatus for performing data processing"; that, overall, the '191 patent invention clearly aims at being used in the management of a financial service; and that Secure Axcess has primarily alleged infringement against banks. While Judge Lourie agreed that the Board used overly broad language in describing the '191 patent claims as *incidental to a financial activity*, he argued that the Board nevertheless correctly concluded that the methods claimed by the '191 patent perform operations were *used in the practice, administration, or management of a financial product or service*.

We will continue to closely follow and report to our clients any Board and CAFC proceedings relating to CBM reviews, as their resolution may affect the ability to challenge allegedly infringed patents. It is also important to note that the CBM review program for new CBM petitions is set to expire on September 16, 2020.[4]

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1 *PNC Bank, N.A. v. Secure Axcess, LLC*, CBM2014-00100; *Bank of the West v. Secure Axcess, LLC*, CBM2015-00009; *T. Rowe Price Inv. Servs., Inc. v. Secure Axcess, LLC*, CBM2015-00027.

2 *Unwired Planet, LLC v. Google Inc.*, 841 F.3d 1376 (Fed. Cir. 2016).

3 *Blue Calypso, LLC v. Groupon, Inc.*, 815 F.3d 1331 (Fed. Cir. 2016).

4 US Patent and Trademark Office, Transitional Program for Covered Business Method Patents.

IN IPRS, PETITIONER MUST SHOW CLAIM AMENDMENTS UNPATENTABLE

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A RECENT FEDERAL CIRCUIT RULING SHIFTS THE BURDEN TO PETITIONERS, WHICH WILL LIKELY LEAD TO PATENT OWNERS FILING MORE MOTIONS TO AMEND.

The US Court of Appeals for the Federal Circuit, sitting en banc, ruled on October 4 that the petitioner challenging the validity of a patent in a Leahy-Smith American Invents Act (AIA) *inter partes* review (IPR) bears the burden of showing that proposed claim amendments are unpatentable. (*In re: Aqua Products, Inc., Case No. 15-1177*). This decision overturned the US Patent and Trademark Office's (PTO's) rule placing the burden on the patent owner to show that proposed amended claims are patentable.

This case came before the *en banc* Federal Circuit after the Patent Trial and Appeals Board (Board) denied Aqua Products, Inc.'s (Aqua's) motion to amend its swimming pool cleaner patent, concluding that Aqua failed to prove that the substitute claims were patentable. Aqua timely appealed and argued that it did not bear the burden of proving patentability of its substitute claims. Thereafter, the Federal Circuit panel affirmed the Board's decision based on its precedent that patent owner bears the burden. Aqua requested an *en banc* rehearing of that decision, which the Federal Circuit granted.

Judge Kathleen M. O'Malley, writing for the majority, held that the AIA's statutory language in 35 U.S.C. § 316(e) "unambiguously requires the petitioner to prove all propositions of unpatentability, including for amended claims." She based her conclusion on a detailed analysis of the statutory language, the statutory scheme, and the relevant legislative history.

In particular, Judge O'Malley noted that both the PTO and the US Congress acknowledged that a patent owner's right to propose amended claims in post-grant proceedings was an important tool. In fact, she stated that "Congress deemed the patent owner's right to amend so important that, in § 316(d), it mandated that the patent owner be permitted to amend the patent *as of right* at least once during the course of an IPR, provided certain specified statutory conditions were met." (emphasis in original). Additionally, the PTO relied on patent owners' ability to amend as a basis to apply the broadest reasonable interpretation standard when interpreting the claims during AIA post-grant proceedings. Yet, as of April 30, 2016, the Board denied 112 of 118 motions to amend the claims in IPRs and partially denied motions to amend in four of the remaining six trials.

The PTO argued that the Board has the authority to grant or deny any motion, including any motion to amend, at its discretion based on Congress's use of the words "may" and "propose" in reference to a patent owner's ability to amend claims. Judge O'Malley stated that this reasoning "would render the amendment process virtually meaningless, rather than make the possibility of amendment the central feature of the IPR process it was intended to be."

Further, the parties did not dispute that § 316(e) places the burden of persuasion for proving the unpatentability of issued, challenged claims on the petitioner. Judge O'Malley concluded that "[b]ased on the plain and unambiguous language of this provision, we believe that § 316(e) applies equally to proposed substitute claims."

However, six judges believed that the statutory scheme was ambiguous, which required additional analysis as to whether deference to the PTO's contrary interpretation of the relevant statutory provisions was appropriate. The court concluded that it was not required to defer to the PTO. In reaching this conclusion, Judge O'Malley noted that the PTO did not adopt a rule or regulation governing the burden of proof or persuasion regarding the patentability of proposed amended claims. Instead, the PTO adopted rules regarding procedures for motion practice in IPRs (Rule 42.20) and requires that a patent owner show that its proposed claim amendments are responsive to at least one ground of unpatentability at issue in the IPR (Rule 42.121). These regulations "do not address the ultimate relief sought by the petitioner in the IPR: a determination of unpatentability." Thus, the court was free to decide what the law was without any deference to the PTO.

The majority also held that the Board "must consider the entirety of the record before it when assessing the patentability of amended claims under § 318(a) and must justify any conclusions of unpatentability with respect to amended claims based on that record." This conclusion was supported by the language of § 318(a), which provides that where it proceeds to a final written decision, the Board must issue a decision on the patentability of originally issued, challenged claims as well as any amended claims. Further, "an agency's refusal to consider evidence bearing on the issue before it is, by definition, arbitrary and capricious within the meaning of 5 U.S.C. § 706, which governs review of agency adjudications."

Despite the length and detail of the majority opinion, Judge O'Malley cautioned that "today's judgment is narrow." She further stated that "very little said over the course of the many pages that form the five opinions in this case has precedential weight." This reflects the fact that this decision was rendered by a highly fractured court, which issued five separate opinions. Only five of the eleven participating judges joined in the majority opinion, which garnered the majority's support with the concurrence of Judges Timothy B. Dyk and Jimmie V. Reyna in the result.

This decision will likely lead to patent owners filing more motions to amend to overcome petitioners' cited prior art and could possibly permit more amended claims.

HUMIRA PATENTS INVALIDATED IN *INTER PARTES* REVIEWS

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ABBVIE'S ARGUMENTS RAISED IN A PRIOR IPR WERE KEY TO THE PTAB'S FINDING OF NO COMMERCIAL SUCCESS.

The Patent Trial and Appeal Board (PTAB) found all of the claims of three AbbVie Biotechnology Ltd. (AbbVie) patents directed to Humira unpatentable in the last month as a result of three *inter partes* reviews (IPRs) requested by Coherus Biosciences Inc. (Coherus). On May 16, 2017 the PTAB issued a Final Written Decision finding all of the claims (1–5) of US Patent No. 8,889,135 (the '135 Patent) unpatentable. Subsequently, the PTAB issued two Final Written Decisions on June 9, 2017 finding claims 1–4 of US Patent No. 9,017,680 (the '680 Patent) and claims 1 and 2 of US Patent No. 9,073,987 (the '987 Patent) unpatentable.

The PTAB rejected all of AbbVie's secondary considerations of nonobviousness, including commercial success; long-felt, unmet need; and unexpected results. Notably, the PTAB rejected AbbVie's assertion that the commercial success of Humira supported the nonobviousness of the claimed invention in part because of statements made by AbbVie in other IPRs challenging patents in the Humira portfolio.[1] Here the PTAB found that AbbVie previously relied on features other than those recited in the '135, '680, and '987 Patents as driving Humira's commercial success.

US PATENT NO. 8,889,135

The '135 Patent, "Methods of Administering Anti-TNFa Antibodies," issued on November 18, 2014, and is directed to methods of treating rheumatoid arthritis with human anti-tumor necrosis factor a (TNFa) antibody. In particular, the patent claims methods involving subcutaneously administering an anti-TNFa antibody with the same six complementarity-determining regions (CDRs) and heavy chain constant region as D2E7 (i.e., Humira) at a dose of 40 mg once every 13–15 days.

BACKGROUND

On November 9, 2015 Coherus filed an IPR petition for the '135 Patent, which the PTAB instituted on May 17, 2016, to determine whether all of the patent's claims, 1–5, were obvious in view of two references: Kempeni and van de Putte. The PTAB's Final Written Decision issued just a day short of one year after institution.

[1] See IPR2016-01018 regarding US Patent No. 9,114,166.

In its petition Coherus argued that Kempeni and van de Putte rendered claims 1–5 of the '135 Patent obvious.[2] Briefly, Coherus argued that Kempeni disclosed that Humira that is intravenously administered biweekly including at a dose of 40 mg has an estimated half-life of 11.6 to 13.7 days. Further, Coherus argued that van de Putte disclosed administering Humira subcutaneously. Thus, Coherus argued that the combination of both references taught each and every element of the claimed invention. Ultimately, the PTAB agreed with Coherus and found that a person of ordinary skill in the art would have been motivated to combine Kempeni and van de Putte to achieve subcutaneous administration of Humira at a dose of 40 mg because such administration would be more desirable for patients (i.e., less expensive and more convenient). AbbVie, on the other hand, argued that a person of ordinary skill in the art would not have been motivated to develop a 40 mg, subcutaneous, every-other-week dosage regimen to treat rheumatoid arthritis, and would not have had a reasonable expectation of success in treating rheumatoid arthritis using such a dosing regimen in view of the prior art's teachings.[3]

PTAB'S ANALYSIS

The PTAB found that Kempeni teaches that D2E7 is safe and effective as a monotherapy when administered subcutaneously or intravenously by single or multiple injections.[4] Further, the PTAB found that van de Putte teaches that doses of D2E7 were superior to a placebo and that 20, 40, and 80 mg/week dosages were almost equally efficacious when administered subcutaneously to patients with rheumatoid arthritis.[5] Based on these references' disclosures, the PTAB found that together Kempeni and van de Putte disclose or suggest each element of claims 1–5.[6]

The PTAB characterized the parties' disputes regarding motivation to combine and reasonable expectation of success as "hotly" contested.[7] Ultimately, the PTAB sided with Coherus and found that a person of ordinary skill in the art would have had a reason to select a subcutaneous administration route and fixed dosing regimen with a reasonable expectation of success.[8]

With respect to biweekly administration of a 40 mg dose, the PTAB was not persuaded by Coherus's argument that a person of ordinary skill in the art would have done so based on the disclosed half-life of D2E7.[9] In particular, the PTAB noted that Coherus never provided evidence of a drug with a dosing interval that corresponded to its half-life or other evidence showing that persons of ordinary skill in the art routinely use half-lives to create dosing schedules, and AbbVie provided evidence to the contrary.[10] However, the PTAB found persuasive Coherus's argument that the disclosure of administration of 0.5 mg/kg of D2E7 biweekly, which is equivalent to a 40 mg subcutaneous dose, would provide a motivation to combine with a reasonable expectation of success.[11] Specifically, the PTAB found that "Kempeni expressly discloses a dose that is equivalent to the recited subcutaneous 40 mg dose" and also teaches biweekly administration.[12]

Additionally, the PTAB found that the record showed that a person of ordinary skill in the art either would have used a clinical approach to design a dosing regimen involving testing different doses and dosing intervals, which AbbVie did for D2E7, or would have used a theoretical model approach.[13] AbbVie's expert admitted that the publicly available pharmacokinetic information in June 2001 would not have allowed a pharmacokinetic/pharmacodynamic correlation for modeling purposes because it did not include patient-specific data.[14] Nonetheless, he performed a modeling exercise, to which the PTAB afforded little weight, in part because the minimum effective dose of D2E7 was undefined in June 2001.[15]

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2 Final Written Decision at p. 10.

3 *Id.*

4 *Id.* at p. 12.

5 *Id.* at p. 13.

6 *Id.* at pp. 14-15.

7 *Id.* at p. 16.

8 *Id.* at pp. 16-17.

9 *Id.* at p. 18.

10 *Id.* at p. 22.

11 *Id.* at pp. 18, 24.

12 *Id.* at p. 25.

13 *Id.* at p. 33.

14 *Id.*

15 *Id.*

Further, the PTAB found that the potential to develop anti-drug antibodies would not have discouraged a person of ordinary skill in the art from pursuing the claimed 40 mg biweekly dosing regimen.[16] Specifically, Kempeni discloses that one would expect the fully human D2E7 to be less immunogenic than other antibodies that contain nonhuman portions.[17] Moreover, the PTAB did not find sufficient evidence to show that fluctuations in the minimum and maximum steady state plasma concentrations for a 40 mg biweekly treatment would have raised sufficient safety issues to discourage use of such a dosing regimen.[18]

AbbVie further argued that there was evidence of a long-felt, unmet need; unexpected results; and commercial success supporting a finding of nonobviousness.[19] In particular, AbbVie heavily relied on Humira's dosing regimen as driving its commercial success. In response, Coherus pointed to AbbVie's argument in a related IPR that the commercial success of Humira

> was driven in large part by (i) the ability of patients to self-administer a liquid antibody formulation via single dose subcutaneous administration… without lyophilization and the accompanying need for reconstitution, and (ii) the fact that it is stable enough to be commercially viable (e.g., to withstand shipping and storage for periods of time typical or biologic therapies).[20]

AbbVie failed to mention that the dosing regimen was responsible for the commercial success of Humira. As such, the PTAB found that it was not clear whether the sales of Humira were due to the claimed dosing regimen or the formulation that AbbVie argued was the driver of commercial success in the related IPR. Consequently, the PTAB was not persuaded by AbbVie's evidence of commercial success.[21]

Similarly, the PTAB was not persuaded that the claimed dosing regimen satisfied a long-felt, unmet need.[22] The PTAB concluded that the prior art disclosed biweekly dosing regimens and subcutaneous dosing of anti-TNFa agents.[23] Further, the PTAB found that AbbVie failed to tie its supporting evidence to the claimed 40 mg dose[24] and failed to sufficiently connect its success, in view of others' failures, to a biweekly subcutaneous dose.[25] Instead, the PTAB concluded that the "driving force behind the satisfaction of a long-felt need and success where other[s] had failed was the introduction of the first fully human anti-TNFa antibody, not the claimed dosing regimen."[26] Likewise, the PTAB rejected AbbVie's arguments regarding unexpected results.[27] According to the PTAB, AbbVie merely reiterated its teaching-away arguments, which were found unpersuasive for the reasons discussed above.[28]

In view of the foregoing, the PTAB concluded that Coherus demonstrated by a preponderance of the evidence that claims 1–5 of the '135 Patent were obvious over the combination of Kempeni and van de Putte.[29]

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16 *Id.*

17 *Id.* at pp. 33-34.

18 *Id.* at p. 35.

19 *Id.* at p. 38.

20 *Id.* at pp. 39-40.

21 *Id.*

22 *Id.* at pp. 42-43.

23 *Id.* at p. 42.

24 *Id.*

25 *Id.*

26 *Id.*

27 *Id.* at p. 43.

28 *Id.*

29 *Id.* at p. 44.

US PATENT NO. 9,017,680 AND US PATENT NO. 9,073,987

The '680 Patent, "Methods of Administering Anti-TNFa Antibodies," issued on April 28, 2015, and, like the '135 Patent, is directed to methods of treating rheumatoid arthritis with human anti-TNFa antibody (i.e., a method involving administering 40 mg of anti-TNFa antibody once every 13–15 days with methotrexate where the anti-TNFa antibody has the same six CDRs and heavy chain constant regions as D2E7); and the '987 Patent, "Methods of Administering Anti-TNFa Antibodies," issued on July 7, 2015, and is directed to methods of treating rheumatoid arthritis by subcutaneously administering a 40 mg dose of human anti-TNFa antibody once every 13–15 days (where the anti-TNFa antibody has specific CDRs, variable light chain regions, and variable heavy chain regions).

BACKGROUND

On December 7, 2015, Coherus filed IPR petitions for the '680 Patent and the '987 Patent. Both were instituted on June 13, 2016. The '680 Patent IPR was instituted to determine whether all of the patent's claims, 1–4, were obvious in view of Kempeni and van de Putte, and the '987 Patent IPR was instituted to determine whether all of the patent's claims, 1–2, were obvious in view of the same references, which were also the same references asserted against the '135 Patent.

In its petitions, Coherus argued that van de Putte and Kempeni rendered claims 1–4 of the '680 Patent and claims 1–2 of the '987 Patent obvious.[30] As with the '135 Patent's IPR, AbbVie argued that a person of ordinary skill in the art would not have been motivated to develop a 40 mg, subcutaneous, every-other-week dosing regimen to treat rheumatoid arthritis, and would have no reasonable expectation of success in doing so.[31]

PTAB'S ANALYSIS

The PTAB made the same findings regarding Kempeni's and van de Putte's disclosures as discussed above with respect to the '135 Patent's IPR.[32] For similar reasons, the PTAB concluded that Kempeni and van de Putte together disclose every element of claims 1–4 of the '680 Patent and claims 1–2 of the '987 Patent.[33]

Similar to the '135 Patent's IPR, Coherus argued that a person of ordinary skill in the art would have been led to administer 40 mg of D2E7 subcutaneously every 13–15 days in combination with methotrexate, as claimed in the '680 Patent, and would have expected it to be safe and effective in treating rheumatoid arthritis.[34] The parties' arguments largely mirrored those in the '987 Patent IPR.[35]

In view of the foregoing, the PTAB concluded that Coherus demonstrated by a preponderance of the evidence that claims 1–4 of the '680 Patent and claims 1–2 of the '987 Patent were obvious over the combination of Kempeni and van de Putte.[36]

[30] '680 Patent Final Written Decision at p. 10; '987 Patent Final Written Decision at p. 9.

[31] *Id.*

[32] *Id.* at pp. 10-14.

[33] *Id.* at p. 15.

[34] *Id.* at p. 16.

[35] *Id.* at pp. 16-17.

[36] '680 Patent Final Written Decision at p. 44; '987 Patent Final Written Decision of p. 42.

FEDERAL CIRCUIT EXTENDS PROSECUTION DISCLAIMER TO IPR PROCEEDINGS

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THE FEDERAL CIRCUIT RECENTLY HELD AS A MATTER OF FIRST IMPRESSION THAT STATEMENTS MADE BY A PATENT OWNER DURING AN IPR PROCEEDING CAN BE CONSIDERED FOR CLAIM CONSTRUCTION AND RELIED UPON TO SUPPORT A FINDING OF PROSECUTION DISCLAIMER IN DISTRICT COURT.

On May 11, the US Court of Appeals for the Federal Circuit addressed an issue of first impression: whether statements made by a patent owner during an *inter partes* review (IPR) proceeding can support a finding of prosecution disclaimer during claim construction in district court.[1]

In *Aylus Networks, Inc. v. Apple, Inc.*, the Federal Circuit held that statements made by a patent owner during an IPR proceeding, whether before or after an institution decision, can be considered for claim construction and relied upon to support a finding of prosecution disclaimer in district court.[2]

THE DECISION

Patent owner Aylus Networks, Inc. owns US Patent No. RE 44,412 (the '412 patent), which relates to systems and methods for streaming and displaying media content between electronic devices on the same personal Wi-Fi network.[3] Aylus filed suit against Apple in the US District Court for the Northern District of California (District Court) claiming that Apple's "AirPlay" feature infringed the '412 patent.[4]

In response, Apple filed two separate petitions for *inter partes* review of the '412 patent.[5] The Patent Trial and Appeal Board (Board or PTAB) instituted an IPR proceeding on all claims except claims 2 and 21, which included a limitation for an improved method for delivering media content over a Wi-Fi network to reduce Wi-Fi usage.

Following institution, Aylus filed a notice of voluntary dismissal in the District Court, dismissing with prejudice its infringement contentions as to all asserted claims, except for claims 2 and 21.[6] Apple then filed a motion for summary

[1] *Aylus Networks, Inc. v. Apple, Inc.*, No. 2016-1599, slip. op. at 8 (Fed. Cir. May 11, 2017).
[2] *Id.* at 14.
[3] *Id.* at 2.
[4] *Id.* at 2, 6.
[5] *Id.* at 6.
[6] *Id.*

judgment of noninfringement of claims 2 and 21, arguing that it does not practice the limitation directed to a method for delivering media content.[7]

The District Court granted Apple's motion based on a limiting construction of the claimed media delivery method. The District Court specifically relied on Aylus's statements in its preliminary IPR responses, which the court found "akin to prosecution disclaimer." Aylus appealed.

On appeal, the Federal Circuit held that the doctrine of prosecution disclaimer applies in IPR proceedings before the US Patent and Trademark Office (PTO). Although the doctrine initially arose in the context of preissuance prosecution, the court explained that the doctrine has since been applied to other postissuance proceedings before the PTO, such as reissue or reexamination proceedings.[8] Thus, the court reasoned that the doctrine should likewise apply in IPR proceedings to "ensure that claims are not argued one way in order to maintain their patentability and in a different way against accused infringers."[9] The court further explained that extending the doctrine to IPR proceedings "will 'promote[] the public notice function of the intrinsic evidence and protect[] the public's reliance on definitive statements made during' IPR proceedings."[10]

The Federal Circuit rejected Aylus's argument that statements made during IPR proceedings are unlike those made during reissue or reexamination proceedings because an IPR proceeding is an adjudicative proceeding, not an administrative proceeding.[11] Looking to the Supreme Court's decision in *Cuozzo Speed Technologies, LLC v. Lee*, the Federal Circuit explained that "[b]ecause an IPR proceeding involves reexamination of an earlier administrative grant of a patent, it follows that statements made by a patent owner during an IPR proceeding can be considered during claim construction and relied upon to support a finding of prosecution disclaimer."[12]

The Federal Circuit also dismissed Aylus's argument that its statements were not part of an IPR proceeding because they were made in a preliminary response before the Board issued its institution decision.[13] Even though an IPR proceeding is a two-step process, "for the purposes of prosecution disclaimer," the court found "the differences between the two phases of an IPR to be a distinction without a difference."[14] According to the court, responses filed before and after the Board's institution decision are "official papers filed with the PTO and made available to the public."[15] Therefore, for both pre– and post–institution filing, "the public is 'entitled to rely on those representations when determining a course of lawful conduct, such as launching a new product or designing around a patented invention.'"[16]

FUTURE IMPLICATIONS

Following the Federal Circuit's decision in *Aylus*, litigants and their counsel must now add prosecution disclaimer to the list of considerations for informed decisionmaking about whether and how to engage in parallel PTAB and district court proceedings. For example, when developing proposed constructions based on intrinsic evidence in district court proceedings, parties must be cognizant of potential prosecution disclaimers arising in previous IPR proceedings. Counsel must also approach claim construction in IPR proceedings with knowledge that the arguments may limit a claim's literal scope and the range of equivalents under the doctrine of equivalents moving forward. The same care should be taken with any claim-related statements before the Board, such as explanations of what the invention does or does not cover.

Moreover, the *Aylus* decision leaves open the following issues: (1) whether prior statements made by a patent owner *during IPR proceedings* may be relied upon to support a finding of prosecution disclaimer *in a subsequent IPR proceeding*, and (2) whether statements made by a patent owner *during a district court proceeding* could be relied upon to support a finding of prosecution disclaimer *in a subsequent IPR proceeding*.

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7 *Id.*

8 *Id.* at 10.

9 *Id.*

10 *Id.* at 11 (quoting *Omega Eng'g, Inc. v. Raytek Corp.*, 334 F.3d 1314, 1324 (Fed. Cir. 2003)).

11 *Id.*

12 *Id.* at 11-12 (citing *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2134-44 (2016)).

13 *Id.*

14 *Id.* at 13.

15 *Id.*

16 *Id.* at 14 (quoting *Biogen Idec, Inc. v. GlaxoSmithKline LLC*, 713 F.3d 1090, 1095 (Fed. Cir. 2013)).

As to the first issue, it seems likely that the doctrine of prosecution disclaimer would also apply in the PTAB-to-PTAB scenario because the court in *Aylus* did not expressly limit the extension to subsequent district court proceedings. Rather, the court broadly held that "statements made by a patent owner during an IPR proceeding, whether before or after an institution decision, can be considered for claim construction and relied upon to support a finding of prosecution disclaimer."[17]

As to the second issue, although less clear, the court's reasoning in *Aylus* that parties should take consistent positions in both forums seems to imply that the doctrine would likewise extend to the district court–to-PTAB scenario. For example, it is arguably unfair for a party to take a broad claim construction position for infringement in a district court but a narrow one in the PTAB to avoid an unpatentability finding.

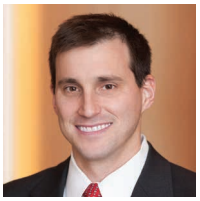
Finally, the court's holding in *Aylus* may further cloud the definition of "IPR proceedings." For example, in *Aylus*, the Federal Circuit explained that "statements made by a patent owner during an IPR proceeding, *whether before or after an institution decision*, can be … relied upon to support a finding of prosecution disclaimer."[18] In contrast, the Federal Circuit has previously held that "IPR does not begin until it is instituted."[19] Litigants will certainly capitalize on this definitional divide as interpretation issues continue to arise for post-grant proceedings.

[17] *Id.*

[18] *Id.* at 14 (emphasis added).

[19] *Shaw Indus. Grp., Inc. v. Automated Creel Sys., Inc.*, 817 F.3d 1293, 1300 (Fed. Cir. 2016).

PTAB WARNS PETITIONERS THAT FOLLOW-ON PETITIONS WILL FACE ADDITIONAL SCRUTINY



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A RECENT EXPANDED PANEL DECISION, WHICH LISTS FACTORS THE PTAB WILL USE IN EXERCISING ITS DISCRETION TO INSTITUTE SERIAL IPR PETITIONS, IS AFFORDED AN "INFORMATIVE" DESIGNATION.

A party that seeks to challenge a patent by way of inter partes review (IPR)—especially a defendant in an ongoing infringement litigation—has always been motivated to file its IPR petition as soon as possible. This is especially the case where the petitioner seeks to stay corresponding litigation, as some courts have denied motions to stay where the defendant was perceived as waiting too long to file the IPR petition. Additionally, because a successful IPR may end the litigation, the earlier a petition is filed, the earlier the suit (and its associated costs) will end.

A recent decision from the Patent Trial and Appeal Board (PTAB or Board), *General Plastic Indus. Co. v. Canon Kabushiki Kaisha*,[1] counterbalances these concerns and counsels a more deliberate approach.

In *General Plastic,* an expanded panel of the PTAB maintained a denial of institution of a follow-on (or serially filed) IPR petition based not upon the merits of the petitioner's unpatentability arguments but instead upon considerations of efficiency and fairness.

While a denial of a serially filed petition is not new, the expanded panel's decision clearly enumerated the factors that the Board considers when deciding whether to deny such a petition. This decision recently gained an "informative" designation; accordingly, while not binding, the decision nevertheless provides norms and guidance on the issue of serial petitions. As such, any party contemplating filing a subsequent petition for a patent should consider reviewing this decision.

GENERAL PLASTIC

In *General Plastic*, the petitioner filed two IPR petitions in September 2015 challenging two patents. After considering the petitions on the merits, the PTAB denied institution in March 2016. The petitioner sought rehearing, but this was denied in May 2016. The petitioner then performed prior art searches, and these searches uncovered references that were not used in the first pair of petitions and not considered by the patent examiner. The petitioner filed further petitions in July 2016 challenging the same two patents based in part on these references.

[1] IPR2016-01357, -01358, -01359, -01360, -01361

Rather than addressing the merits of these follow-on petitions, the PTAB exercised its discretion to deny institution. In particular, the PTAB considered the following seven factors, which were first articulated by the PTAB in May 2016:

1. The finite resources of the Board
2. The requirement under 35 U.S.C. § 316(a)(11) to issue a final determination not later than one year after the date on which the Director notices institution of review
3. Whether the same petitioner previously filed a petition directed to the same claims of the same patent
4. Whether at the time of filing of the first petition the petitioner knew of the prior art asserted in the second petition or should have known of it
5. Whether at the time of filing of the second petition the petitioner already received the patent owner's preliminary response to the first petition or received the Board's decision on whether to institute review in the first petition
6. The length of time that elapsed between the time the petitioner learned of the prior art asserted in the second petition and the filing of the second petition
7. Whether the petitioner provides adequate explanation for the time elapsed between the filings of multiple petitions directed to the same claims of the same patent

Applying these factors to the facts surrounding petitioner's subsequent petitions, the PTAB found the prejudice to the patent owner to be greater than that to the petitioner and denied institution.

The petitioner requested rehearing on the denial of institution. Chief Judge David Ruschke expanded the panel to hear the patent owner's request "due to the exceptional nature of the issues presented" and "to provide a discussion of factors that are considered in the exercise of the Board's discretion" to deny follow-on petitions. The expanded panel recognized that although there is no *per se* bar precluding the filing of multiple petitions against the same patent, the PTAB possesses statutorily granted discretion to deny such petitions. Regarding the exercise of this discretion, the expanded panel sanctioned the seven factors employed by the original panel.

PETITIONERS SHOULD EXPECT GREATER SCRUTINY OF FOLLOW-ON PETITIONS

At a recent Intellectual Property Owners Association conference held in San Francisco, Chief Judge Ruschke made clear that petitioners should expect greater scrutiny from the PTAB on follow-on or serially filed petitions. The expanded panel stated as much when it held that the seven factors "at the very least, serve to act as a baseline of factors to be considered in our future evaluation of follow-on petitions." Furthermore, Chief Judge David Ruschke recently designated this opinion as "informative." While such a designation does not render the *General Plastic* decision binding, the PTAB is likely to apply the seven-factor test, or some variation of it, for any future follow-on petition.

TAKEAWAYS

In the wake of *General Plastic*, parties should proceed deliberately before filing their PTAB petition(s), as the first petition may be the only one that the PTAB considers on the merits. Further, parties that discover a basis to file a follow-on petition should do so without undue delay and address the *General Plastic* factors in the petition.

FEDERAL CIRCUIT GIVES PTAB FREE HAND ON CLAIM CONSTRUCTION

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THE FEDERAL CIRCUIT RECENTLY HELD THAT THE BOARD IS NOT CONSTRAINED BY PARTIES' PROPOSED CONSTRUCTIONS AND MAY, IN FACT, ADOPT AN ALTERNATIVE CONSTRUCTION THAT THE BOARD RAISES FOR THE FIRST TIME AT ORAL ARGUMENT, SO LONG AS BOTH SIDES HAVE ADEQUATE NOTICE AND AN OPPORTUNITY TO RESPOND.

On May 8, the US Court of Appeals for the Federal Circuit affirmed the Patent Trial and Appeal Board's (Board's) decision to invalidate certain claims challenged in an *inter partes* review (IPR) proceeding based on an alternative construction previewed by the Board for the first time at oral argument and that no party had previously argued for or expected. As long as both parties offer constructions for that claim term *prior* to argument and are given an opportunity to respond *during* the argument, the court held that the Board may adopt that alternative construction in its final written decision without violating a party's due process rights.

THE DECISION

In *Intellectual Ventures II LLC v. Ericsson Inc. et al.*, the Board granted three petitions for IPR filed by Ericsson and Google challenging different claims from two different Intellectual Ventures II (IV) patents, both of which claimed methods for selecting an appropriate bandwidth in a multibandwidth communication system.[1]

In their briefing, the parties offered competing constructions of a key term recited in both patents: "an indication of an operating bandwidth." IV advocated for one construction, Google contended that the plain and ordinary meaning should control, and Ericsson argued that IV's definition was too narrow and no construction was needed.[2] This debate carried over into the oral argument for each petition—an exchange later characterized by the Board as a "vigorous dispute over the proper construction."[3]

[1] Nos. 2016-1739, 2016-1740, 2016-1741, 2017 WL 1842527 (Fed. Cir. May 8, 2017).

[2] *Id.* at *2.

[3] *Id.*

During the oral argument, however, the Board sua sponte asked the parties whether it would be "sufficient for us to say that enough information is conveyed from the transmitter to the receiver so that the receiver can configure itself to receive that which is transmitted"—i.e., an alternative construction of the term that neither party had proposed and that was notably broader than IV's proposed construction.[4] Google's counsel responded affirmatively. And although IV's counsel disputed the Board's proposed construction, it too conceded that "there's no special requirement for the form of an indication of operating bandwidth." In its final written decision, the Board relied solely on its alternative construction to find all challenged claims of the IV patents invalid over the cited references.[5]

IV appealed on several grounds, including that the Board had denied it procedural due process by construing a claim term to mean something no party had proposed or expected.[6]

The Federal Circuit disagreed. The court explained that "[d]ue process requires notice and an opportunity to be heard by an impartial decision-maker."[7] In other words, due process requires that the Board "give the parties an opportunity to submit facts and arguments for consideration," so that each party may "present oral and document evidence in support of its case, as well as rebuttal evidence."[8] The court also reiterated that "the Board may not change theories midstream without giving the parties reasonable notice of its change."[9]

Turning to the facts at hand, the Federal Circuit found "no due process violation" given "the continuous focus on 'an indication of an operating bandwidth' before and during oral arguments and [IV's] opportunity to seek a sur-reply or rehearing."[10] As long as the Board provides parties with the necessary notice and opportunity to be heard, the court held that "the Board is not constrained by the parties' proposed constructions and is free to adopt its own construction, as it did here."[11]

However, the Federal Circuit issued a word of caution: "To be clear, after the Board adopts a construction, it may not change theories without giving the parties an opportunity to respond."[12] According to the court, however, "[n]o such change occurred here" because "the Board questioned counsel about [the disputed term] at oral argument, asked for a reaction to a hypothetical construction, and issued its construction in its Final Written Decision."[13]

FUTURE IMPLICATIONS

The *Intellectual Ventures* decision falls in line with two recent Federal Circuit decisions—*In re Magnum Oil International Ltd.*[14] and *SAS Institute, Inc. v. ComplementSoft, LLC*[15]—that addressed similar due process concerns in the context of post-grant proceedings.

4 *Id.*

5 *Id.* at *3.

6 *Id.*

7 *Id.*

8 *Id.*

9 *Id.*

10 *Id.* at *4.

11 *Id.*

12 *Id.*

13 *Id.*

14 829 F.3d 1364, 1381 (Fed. Cir. 2016).

15 825 F.3d 1341, 1351 (Fed. Cir. 2016).

In *Magnum Oil*, the Federal Circuit reversed the Board's decision to "adopt[] arguments on behalf of petitioners that could have been, but were not, raised by the petitioner during an IPR."[16] Because the petitioner bears the burden of proving unpatentability, the court held that "the Board must base its decision on arguments that were advanced by a party, and to which the opposing party was given a chance to respond."[17] In other words, "the Board supplied completely new arguments that the petitioner never raised."[18] This differs from *Intellectual Ventures*, "where the Board questioned counsel extensively over the construction of [the disputed term] after receiving briefs that contested both whether and how the Board needed to construe the term."[19]

Along the same lines, the Federal Circuit in *SAS* reversed the Board's decision to "adopt[] a construction in its final written decision" after "chang[ing] theories in midstream."[20] Unlike *SAS*, however, "where the Board construed a claim term one way in its Institution Decision and, unexpectedly, a different way in its Final Written Decision," the Board in *Intellectual Ventures* posed the hypothetical construction to both parties during oral argument before adopting the construction in its final written decision.[21]

At bottom, the *Intellectual Ventures* decision makes clear that the Board may adopt a construction not advanced by any party so long as it provides the parties with notice and an opportunity to respond, even if that construction is raised for the first time at oral argument. Accordingly, parties to a post-grant proceeding should be prepared to substantively address any alternative construction previewed by the Board during oral argument, especially where both sides argued competing constructions prior to argument. But even where the Board adopts a construction for a claim term that neither side briefed, or adopts a construction without affording both sides a meaningful opportunity to respond, parties should still consider seeking a sur-reply or rehearing in order to preserve their due process claim for appeal.

[16] *In re Magnum Oil*, 829 F.3d at 1381.

[17] *Id.*

[18] *Intellectual Ventures*, 2017 WL 1842527, at *4.

[19] *Id.*

[20] 825 F.3d at 1351.

[21] *Intellectual Ventures*, 2017 WL 1842527, at *4.

TRANSFER OF PATENTS TO TRIBE MAY PRECLUDE PTAB SCRUTINY

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SOVEREIGN IMMUNITY IS BEING INVOKED IN AN EFFORT TO HALT INTER PARTES REVIEWS.

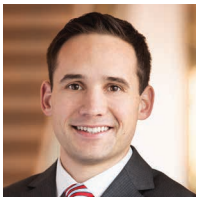
In two separate opinions earlier this year, the Patent Trial and Appeal Board (PTAB) held that an *inter partes* review (IPR) proceeding is a type of adjudication for which sovereign immunity may be asserted. Thus, the PTAB dismissed IPRs challenging patents owned by a state university (*NeoChord, Inc. v. University of Maryland*, IPR2016-00208) and a state university research foundation (*Covidien LP v. University of Florida Research Foundation Inc.*, IPR2016-01274, -01275, -01276). In particular, the PTAB found that IPR procedures are similar enough to civil litigation to render IPRs subject to the sovereign immunity reflected in the 11th Amendment.

The Saint Regis Mohawk Tribe (the Tribe) in New York viewed these decisions as a business opportunity. Believing that it is a sovereign tribal government and thereby immune to IPR proceedings, it approached Allergan concerning six Orange Book–listed patents for Allergan's RESTASIS® dry eye medication. Allergan accepted, and transferred its patents to the Tribe. Allergan is now challenging the PTAB's authority in the IPRs that challenge a family of these patents. Allergan's position is that the Tribe is a recognized sovereign tribal government, and, as such, is immune from IPR challenges.

Allergan indicated in its press release that a motion to dismiss from the Tribe is forthcoming—presumably the Tribe will obtain the necessary authorization from the PTAB before doing so. To the extent that the PTAB authorizes the filing of such a motion, the hearing for the IPRs (IPR2016-01127, -01228, -01129, -01130, -01131, -01132), which is currently set for September 15, will undoubtedly be delayed.

We will be closely monitoring this situation and if sovereign immunity is upheld, patentees wishing to minimize patentability challenges before the PTAB may wish to explore this possibility further.

US SUPREME COURT STRIKES DOWN PARTIAL INSTITUTIONS IN IPRS



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THE RULING IN *SAS INSTITUTE V. IANCU*, WHICH REQUIRES FINAL WRITTEN DECISIONS ON ALL OR NONE OF THE CHALLENGED CLAIMS, WILL LEAD PETITIONERS TO CAREFULLY CONSIDER THEIR STRATEGY ON WHICH CLAIMS TO CHALLENGE IN AN INTER PARTES REVIEW PETITION.

In a 5-4 decision, the US Supreme Court held on April 24 that when the US Patent Trial and Appeal Board (the Board or PTAB) institutes inter partes review (IPR), it must issue a final written decision on the patentability of ALL challenged claims. The decision strikes down the common PTAB practice of instituting review on less than all of the challenged claims. This decision will force petitioners to think carefully about which claims to challenge in a petition, because raising less-than-convincing invalidity arguments for even just a handful of claims may give the PTAB reason to exercise its discretion to deny the entire petition. The decision will also likely force the US Patent and Trademark Office (USPTO) to address the scope of review in pending cases where review was instituted on less than all of the challenged claims.

DECISION

In *SAS Institute Inc. v. Iancu*, petitioner SAS filed an IPR petition challenging the patentability of all 16 claims of ComplementSoft's patent.[1] The Board instituted review on some of the claims but denied review on the others. The Board's final written decision addressed only the claims on which review was instituted. On appeal, the US Court of Appeals for the Federal Circuit rejected SAS's argument that the Board is required to decide the patentability of every challenged claim. Thereafter, the US Supreme Court granted *certiorari* to review the Federal Circuit's decision.[2]

The majority's opinion, written by Justice Neil Gorsuch and joined by Chief Justice John Roberts and Justices Anthony Kennedy, Clarence Thomas, and Samuel Alito, relied on the plain language of 35 USC §318(a). Section 318(a) states: "[i]f an inter partes review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board **shall** issue a final written decision with respect to the patentability of **any patent claim** challenged by the petitioner and any new claim added under section 316(d)."[3] The opinion focused on two words in §318(a): *shall* and *any*.[4] Justice Gorsuch explained that "[t]he word 'shall' generally imposes a nondiscretionary duty," and that "the word 'any' ordinarily 'refer[s] to a member of a particular group or class without distinction or limitation' and in this way 'impl[ies] *every* member of the class or group.'"[5]

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1 *SAS Inst., Inc. v. Iancu*, No. 16-969, 2018 WL 1914661, at *4 (US Apr. 24, 2018).

2 *Id.*

3 (emphasis added).

4 *SAS Inst.*, 2018 WL 1914661, at *4.

5 *Id.* (emphasis in original).

As such, the majority concluded that "when §318(a) says the Board's final written decision 'shall' resolve the patentability of 'any patent claim challenged by the petitioner,' it means the Board *must* address *every* claim the petitioner has challenged."[6]

The majority also rejected USPTO Director Andrei Iancu's argument that 35 USC §314(a)'s requirement that "there [be] a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition" gives the USPTO "partial institution" power to institute review on fewer than all the challenged claims.[7] Justice Gorsuch explained that the statutory scheme of the American Invents Act (AIA) shows Congress's clear intent that a final written decision be issued on all challenged claims.[8] Overall, "Congress chose to structure a process in which it's the petitioner, not the Director, who gets to define the contours of the proceeding."[9]

The opinion dismissed the director's argument that the PTAB is entitled to deference because of alleged ambiguity in the statute. The majority noted that "[e]ven under *Chevron*, we owe an agency's interpretation of the law no deference unless, after 'employing traditional tools of statutory construction,' we find ourselves unable to discern Congress's meaning…[and] we are left with no uncertainty that could warrant deference."10 Justice Gorsuch continued that the "wholly unmentioned 'partial institution' power that lets the director select only some challenged claims for decision … [is a] policy consideration[] [that] cannot create an ambiguity when the words on the page are clear."11 Justice Gorsuch also dismissed the director's policy argument that it is more efficient to permit partial institution so that the Board may focus on the most promising challenges because the efficiency balance is properly addressed by Congress, not the Court.[12]

DISSENT

Justice Stephen Breyer authored a dissenting opinion, which Justices Ruth Bader Ginsburg, Sonia Sotomayor, and Elena Kagan joined. Primarily, the dissenting justices found that USPTO's interpretation of the of the AIA statutory scheme was reasonable. Justice Breyer concluded that "there is a gap, the agency possesses gap-filling authority, and it filled the gap with a regulation that … is a reasonable exercise of that authority."[13]

IMPLICATIONS

SAS's implications will be significant and lasting. One such implication of the PTAB being unable to filter out claims at the institution decision stage is that a higher percentage of challenged claims may ultimately survive in the final decision. Before *SAS*, there was a 65% chance that all instituted claims would be found unpatentable and an 81% chance that at least one challenged claim would be found unpatentable.[14] Requiring the PTAB to institute the IPR on all the challenged claims may cause these percentages to go down, as weak invalidity challenges can no longer be filtered out at the institution decision stage. On the other hand, if *SAS* forces petitioners to focus their petitions on only those claims for which they have strong invalidity arguments to maximize the likelihood of institution, there is potential for these percentages to stay the same or even go up.

The decision also significantly expands IPR estoppel and the ability to appeal the PTAB's decisions. Pursuant to 35 USC § 315(e), a "petitioner in an inter partes review of a claim in a patent…that results in a final written decision … may not assert either a civil action … or a proceeding before the International Trade Commission … that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review." Previously, the estoppel did not apply to any non-instituted claims that were challenged. Now, if institution must address all challenged claims, there will no longer be any non-instituted challenged claims, and the estoppel will apply to all challenged claims.

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6 *Id.* (emphasis in original).

7 *Id.* at *4-5.

8 *Id.* at *7.

9 *Id.* at *5.

10 *Id.* at *8; *see Chevron USA Inc. v. Natural Resources Defense Council, Inc.*, 467 US 837 (1984).

11 *SAS Inst.*, 2018 WL 1914661, at *8.

12 *Id.* at *7.

13 *Id.* at *15.

14 See USPTO Trial Statistics, at 11 (Feb. 2018).

Additionally, before this decision, a petitioner was generally not able to appeal an adverse institution decision but was able to appeal a final written decision. Now, if the Board institutes (on all claims), the petitioner can appeal the final written decision addressing all claims to the Federal Circuit. If the Board does not institute on any claims, the petitioner cannot appeal but can still ask for a rehearing at the PTAB.

Because of these effects, petitioners will have to carefully consider their strategy on which claims to challenge in an IPR petition. In the past, for example, a petitioner could include additional claims to challenge, even if the prior art and arguments were not as strong for those additional claims. If the Board did not institute on the weaker additional claims, the petitioner was not estopped from arguing invalidity in district court. If the Board did institute on certain claims, the petitioner had a good chance of invalidating the claims. Now, however, a petitioner must be more cautious in choosing which claims to challenge. A weaker invalidity argument on certain claims has to be discussed in a final written decision. If the Board decides the claims are not unpatentable, the petitioner is estopped in district court and can only appeal the final written decision to the Federal Circuit.

This decision will also affect the amount and effectiveness of a stay in district court pending resolution of an instituted IPR. A frequent argument against granting a stay in district court pending an IPR arises when the Board partially institutes IPR on only a few of the claims at issue. In that case, a stay pending resolution of an IPR on only a few of the claims at issue in district court was often not enough to stay the entire district court case, especially if the plaintiff dropped their assertion of the instituted claims. Now, if a petitioner challenges all asserted claims in an IPR and the IPR is instituted, a district court will more likely be persuaded to stay the proceedings.

Finally, the PTAB is currently determining exactly how to resolve proceedings that are pending, and where review has been partially instituted on less than all the challenged claims. Just last week, the USPTO issued guidelines[15] describing how they intend to deal with these proceedings. The guidelines state that for partially instituted IPRs, the panel *may* issue an order supplementing the institution decision. Such an order may be issued to, for example, "manage the trial proceeding, including, for example, permitting additional time, briefing, discovery, and/or oral argument, depending on various circumstances and the stage of the proceeding."[16] Any additional briefing and/or scheduling adjustments may be made *sua sponte* by the Board, requested by the parties in a conference call with the Board, or waived by the parties. The final written decisions in these cases must still address all patent claims challenged by the petitioner and all new claims added through the amendment process.

[15] See Guidance on the impact of SAS on AIA trial proceedings (April 26, 2018).

[16] *Id.*

AQUA PRODUCTS SPARKS DRASTIC UPTICK IN MOTION TO AMEND FILINGS

***AQUA PRODUCTS* APPEARS TO HAVE MADE IT EASIER TO AMEND CHALLENGED CLAIMS DURING IPRS OR OTHER POST-GRANT PROCEEDINGS, BUT ITS FULL IMPACT HAS YET TO BE SEEN.**

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Unlike district court litigation, post-grant proceedings before the Patent Trial and Appeal Board (PTAB) afford patent owners the opportunity to amend any challenged patent claims. By filing a motion to amend during the pendency of a proceeding, patent owners may persuade the board to either: (1) cancel any challenged claims, or (2) replace any challenged claim with a substituted claim.

Though intended to provide patent owners with a level playing field, motions to amend have rarely been granted, largely due to a U.S. Patent and Trademark Office (PTO) rule that imposed on patent owners the burden of proving that the amending claims are patentable over the prior art. This changed with the U.S. Court of Appeals for the Federal Circuit's *Aqua Products* decision, which held that patent owners no longer bear the burden of demonstrating the patentability of the proposed claim amendments.

Following *Aqua Products*, many stakeholders anticipated at least a modest—if not substantial—rise in the success rate for motions to amend, as evidenced by the dramatic increase in motion filings. This article examines the PTAB's claim amendment practice both before and after *Aqua Products*, and recommends practices to help navigate the present uncertainty and prepare for change.

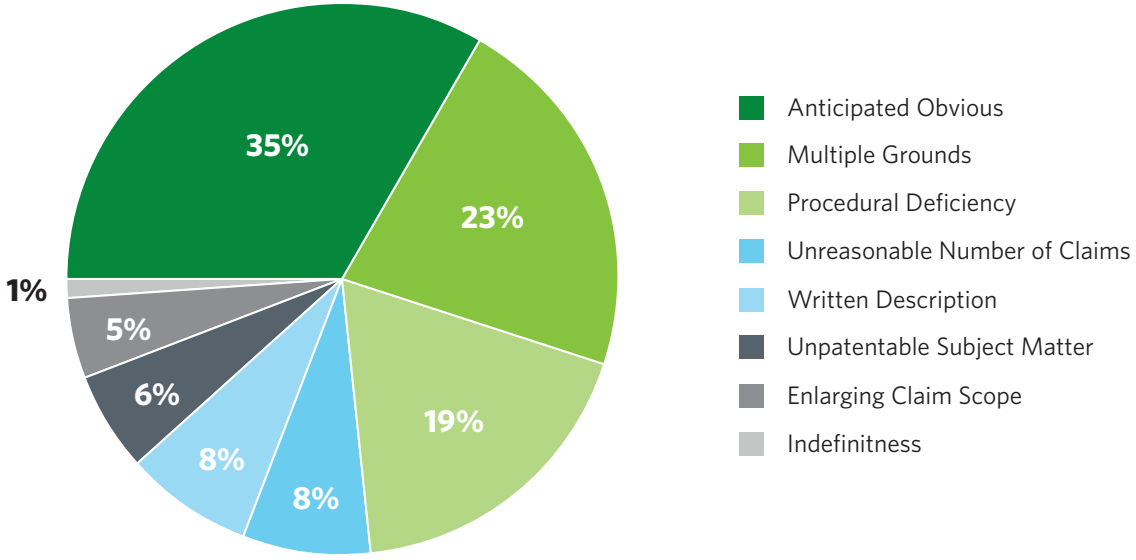
PRIOR TREATMENT OF MOTIONS TO AMEND

When Congress passed the Leahy-Smith America Invents Act (AIA) in 2011, it created post-grant proceedings, including inter partes review (IPR), as quick and cost-effective mechanisms for challenging the validity of patent claims before the PTO. To that end, Congress delegated rulemaking authority to the PTO, authorizing the agency to promulgate procedural rules for conducting post-grant proceedings. Despite issuing formal regulations, the PTO opted not to set forth any rules for motions to amend.

Lacking formal guidance, the PTAB eventually issued rulings significantly restricting the ability to amend challenged claims. For instance, in a 2013 decision designated as ''informative,'' the board held that patentees seeking to amend claims bear the burden to establish a ''patentable distinction over the *prior art of record* and also *prior art known to the patent owner*,'' including ''the specific technical disclosure of the closest prior art known to the patent owner.'' *Idle Free Sys. v. Berg- strom*, IPR2012-0027, Paper 26 at 7 (P.T.A.B. June 11, 2013) (emphasis added) (disclosure: Morgan Lewis represented Bergstrom in this proceeding). The board later clarified that ''the burden is on the patent owner, as the moving party, to show that its proposed claims are patentable'' by distinguishing them from ''the art of record, and the art Patent Owner is aware of and deems sufficiently material to place into the record to satisfy its duty of candor and good faith.'' *MasterImage3D, Inc. v. RealD Inc.*, IPR2015-00040, Paper 85 at 55 (P.T.A.B. April 14, 2016).

Unsurprisingly, these rules gave patent owners little reason to hope—and petitioners little reason to fear—that a motion to amend would be granted. In fact, a 2016 study conducted by the PTO found that only six motions to amend had been granted. According to the study, the majority of the motions (81 percent) were denied because the proposed claim amendments were not shown to be patentable. The remaining motions were denied for procedural deficiencies.

BASES FOR MOTION TO AMEND DENIAL



Regardless of the particular reason for denial, the board's low grant rate had deterred patent owners from filing motions to amend. Facing a dismal success rate, patent owners often opted not to file a motion to amend that, in essence, conceded the unpatentability of the original claims. Indeed, in the same time period as the 2016 study, patent owners only filed a motion to amend in 12 percent of all completed trials, and only 5 percent of all pending trials.

The inability to circumvent the prior art through claim amendments made post-grant proceedings a particularly effective tool for invalidating patent claims. By 2016, the PTAB was finding claims unpatentable at rates far exceeding the historical trends in district court litigation or pre-AIA proceedings before the PTO. This increased unpatentability rate led some patentees to question whether certain PTO policies and practices, including its treatment of motions to amend, had artificially contributed to the PTAB's high unpatentability rate.

AQUA PRODUCTS AND ITS IMPACT ON MOTIONS TO AMEND

The low filing and grant rate for motions to amend continued until Oct. 4, 2017, when the Federal Circuit, sitting en banc, issued its opinion in *Aqua Prods., Inc. v. Matal*, 872 F.3d 1290 (Fed. Cir. 2017). Judge Kathleen M. O'Malley, writing for the majority, held that "the PTO may not place that burden on the patentee," *id.* At 1327, because the AIA's statutory language "unambiguously requires the petitioner to prove all propositions of unpatentability, including for amended claims," *id.* At 1296. According to the majority, the PTO's basis for construing claims under the broadest reasonable interpretation (BRI) standard was predicated on the patent owner's ability to amend any challenged claims during post-grant proceedings. *Id.* at 1298. As such, the PTAB was instructed to "consider the entirety of the record before it when assessing the patentability of the amended claims." *Id.* at 1296.

Taking its cue from the majority, the PTO issued Nov. 17, 2017, a "Guidance on Motions to Amend in view of *Aqua Products*" to the board, which explicitly forbids the PTAB from "plac[ing] the burden of persuasion on a patent owner with respect to the patentability of substitute claims presented in a motion to amend." Instead, upon receiving a procedurally-compliant motion to amend, the board will now determine whether the substituted claims are unpatentable by a preponderance of the evidence based on the entirety of the record, including any petitioner opposition. Unless the evidence weighs in favor of finding the claims unpatentable, the board must grant the motion to amend.

Sensing a turn in the tide, patent owners have begun filing motions to amend at unprecedented rates. Before *Aqua Products*, patentees on average filed roughly six motions to amend each month. That number has since jumped to 15, with 21 motions to amend filed in November 2017 alone.

Since *Aqua Products*, and as of the writing of this article, the PTAB has only ruled on the merits of eight motions to amend to substitute claims. Of those eight motions, however, all but one was denied. The grounds for denial include that the substitute claim lacked written description support, that it enlarged the scope or introduced new matter, or that it was unpatentable as obvious.

Nevertheless, the dramatic uptick in filing rates suggests that patentees are laying odds that the PTAB will more readily permit claims amendments. Time alone will tell whether their renewed optimism will be rewarded.

FUTURE IMPLICATIONS

The current uncertainty surrounding the PTAB's claim amendment practice creates both risks and opportunities. Although *Aqua Products* appears to have made it easier to amend challenged claims during IPRs or other post-grant proceedings, its full impact has yet to be seen. Until then, patent owners and petitioner should take practical steps to navigate the present uncertainty and prepare for this change.

For one, patent owners can increase the success rate of a motion to amend by ensuring that it complies with all statutory requirements, such as identifying specification support for each proposed amendment. Where support in the specification is questionable, patent owners may be better off defending the existing claims and, if available, pursuing narrower claims in a continuation. Simply put, patent owners should not expect the PTAB to examine their proposed amendments with any less scrutiny after *Aqua Products*.

Conversely, petitioners can successfully oppose any motions to amend by pointing out any procedural defects or evidentiary failings. Although petitioners must now present stronger, more persuasive evidence of un-patentability, they can still defeat a motion to amend on procedural grounds, including any proposed amendments that either enlarge the scope of the claim, or do not respond to an unpatentability ground asserted in the petition. Otherwise, petitioners should consider focusing on shoring up strong evidence of unpatentability.

Looking ahead, PTO rulemaking will most likely be needed to clarify the ambiguities surrounding motions to amend. Although the Nov. 17 guidance makes clear that patent owners no longer bear the burden of demonstrating the patentability of the proposed claim amendments, it fails to address a number of issues created by the burden being shifted to petitioners. As one example, it is still unclear what initial burden of production patent owners have in the motion-to-amend brief. Is patent owner's burden of production limited to meeting the requirements of 37 C.F.R. § 42.121? Or does the burden of production also include showing patentable distinctions of proposed substituted claims over prior art of record and prior art known to the patent owner?

Another issue that deserves discussion is whether petitioners, who now bear the burden of proof, should be permitted to file a sur-reply brief and have the last word, as they do in AIA proceedings generally. The notice-and-comment requirements of the rulemaking process would be one way to inform stakeholders of the PTO's views regarding the procedural aspects of motions to amend.

ADDITIONAL INSIGHTS ON POST-GRANT PROCEEDINGS

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