



## PTAB Strategies and Insights

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

This month we tackle three important issues:

1. Notice – It’s What’s Required discussing how the Federal Circuit is policing the PTAB for APA due process violations
2. Why design patents are surviving post grant challenges at a higher rate than utility patents
3. The Federal Circuit’s *en banc* decision allowing the appeal of 315(b) issues, and a summary of related PTAB Precedential and Informative decisions

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

To view our past issues as well as other firm newsletters, please click [here](#).

Thank you.

Best regards,  
Jason

Editor:

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Jason D. Eisenberg  
Editor of *PTAB Strategies and Insights*;  
Director and Practice Group Leader (Electronics Group)  
[jasone@skgf.com](mailto:jasone@skgf.com)

#### Authors:



Tracy-Gene G. Durkin  
Director  
[tdurkin@skgf.com](mailto:tdurkin@skgf.com)



Jon E. Wright  
Director  
[jwright@skgf.com](mailto:jwright@skgf.com)



Pratibha Khanduri, Ph.D.  
Associate  
[pkhanduri@skgf.com](mailto:pkhanduri@skgf.com)



Pauline M. Pelletier  
Associate  
[ppelletier@skgf.com](mailto:ppelletier@skgf.com)

### Notice - It's What's Required

By: [Pratibha Khanduri, Ph.D.](#) and [Jason D. Eisenberg](#)

The U.S. Constitution guarantees due process before a person can be deprived of life, liberty, or property. The Administrative Procedure Act (APA) enforces the due process protection in the USPTO and Board proceedings. Under the APA, each party is entitled to receive a timely notice of facts and arguments from the Board and an opportunity to be heard.<sup>[1]</sup> But what Board actions meet these requirements? The Federal Circuit has provided some guidance, and we expect there is more to come.

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By: [Tracy-Gene G. Durkin](#) and [Pauline Pelletier](#)

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### Federal Circuit Holds *En Banc* That the PTAB's Determination on Whether the One Year Time-Bar is Triggerred in *Inter Partes* Review is Reviewable on Appeal

By: [Jon E. Wright](#), [Pauline Pelletier](#), and [Jason D. Eisenberg](#)

On January 8, 2018, the Federal Circuit issued its long-awaited *en banc* decision in *Wi-Fi One, LLC v. Broadcom Corporation*, No. 2015-1944, 2018 WL 313065 (Fed. Cir. Jan. 8, 2018). The issue before the *en banc* Court was

the reviewability on appeal of the one year time-bar for *inter partes* review set forth in 35 U.S.C. § 315(b). The § 315(b) time-bar prohibits petitioners—as well as their privies and any real parties in interest—from filing an IPR petition more than one year after being served with a complaint alleging infringement of the challenged patent.

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The notice and opportunity-to-be-heard requirements prohibit the Board from changing theories midstream without giving the respondents a reasonable notice of the change and an opportunity to present arguments under the new theory.<sup>[ii]</sup> The boundaries of Board actions have been challenged by many adversely affected parties at the Federal Circuit. But the challenging party must first try to raise the due process violation before the Board.<sup>[iii]</sup>

How egregious does the Board's action have to be to violate due process? To answer this, let's start with the current boundaries. The Board's final decisions are not limited by its institution decisions, such that the Board is not required to anticipate or predict and set forth in its institution decision every legal and factual issue that might arise in the course of the proceeding.<sup>[iv]</sup> All that is required is that the Board provide a notice of its legal and factual holdings and an opportunity to respond at a meaningful point in the proceeding.<sup>[v]</sup>

The Federal Circuit found that the Board did not violate the patent owner's procedural protection when it used in its final decision a reference that was originally used as a primary reference in the petition but in a non-instituted ground.<sup>[vi]</sup> Why was this? First, the Board used the reference merely to reinforce its reasonable expectation argument and the use "was not inconsistent with" the review of the reference in the institution decision. Additionally, the parties had debated the relevance of the reference for motivation to combine art and reasonable expectation of success throughout the proceeding, including in the post-institution expert declarations and depositions and at the hearing.

Yet the Federal Circuit held that the Board denied the patent owner notice when the Board used a reference in its final decision in a manner not used in the petition or the institution decision.<sup>[vii]</sup> Here, the Board applied the reference against the claims for which it was not used in the detailed claim charts in the petition. This was true even though the reference was cited against all the claims in the petition, and specifically used against other claims.

Similarly, the Board is not *per se* prohibited from using a prior art reference or an argument in its final decision that was first raised after initiation of trial because the patent owner was on notice and

had opportunity to respond at a meaningful point of the procedure.<sup>[viii]</sup> For example, the Federal Circuit held that the Board did not violate the patent owner's procedural protection when it used the alleged new references from the petitioner's reply in its final decision to show the state of the art at the time of the invention.<sup>[ix]</sup> The reply put the patent owner on notice since the petitioner's reply used the reference to rebut the patent owner's challenges to the petition. The patent owner was also afforded the opportunity to respond to the references during oral hearing when it acknowledged that the references may be used to show the state of the art. Beyond that, the Board's regulations provided a procedural mechanism to respond to evidence raised in the petitioner's reply such as a motion to exclude the reference. In any event, the Board may consider a prior art reference to show the state of the art at the time of the invention, regardless of whether the reference was cited in the institution decision.

However, the Federal Circuit held the Board violated the patent owner's procedural protection by adopting in its final decision a factual assertion on a prior art reference that the petitioner introduced only at the oral argument, when the patent owner could not have meaningfully supplied the rebuttal evidence.<sup>[x]</sup>

Gray areas remain with regard to claim construction. Below are two examples where the Court reached opposite decisions.

First, the Federal Circuit held that the Board didn't deny the patent owner due process by adopting a construction in its final decision that it first discussed during oral argument and neither party had proposed. The court reasoned that the parties extensively argued the claim construction before and during the oral argument and the patent owner had the opportunity to seek a surreply or rehearing.<sup>[xi]</sup>

Second, the Federal Circuit found that the Board erred by adopting *sua sponte* a new construction in its final decision that was significantly different from its interpretation in the institution decision, which neither party had challenged in their briefs or at oral hearing.<sup>[xii]</sup>

In the end, this appears to be an unresolved area of law and under continued development. But it is clear that a party's vigilance in challenging violations during PTAB trial and proper framing of due process violation during the appeal process is critical to achieving success at the Federal Circuit.

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[i] The Board must provide the "persons entitled to notice of an agency hearing" a timely notice of "the matters of fact and law asserted" and give "all interested parties" an opportunity to submit facts and arguments. 5 U.S.C. §§ 554(b)–(c), 557(c); *Novartis AG v. Torrent Pharmaceuticals*, 853 F.3d 1316, 1324 (Fed. Cir. 2017); *Dell Inc. v. Accelaron, LLC*, 818 F.3d 1293, 1301 (Fed. Cir. 2016); *SAS Institute, Inc. v. ComplementSoft, LLC*, 825 F.3d 1341, 1351 (Fed. Cir. 2016); *Belden Inc. v. Berk-Tek LLC*, 805 F.3d 1064, 1080 (Fed. Cir. 2015).

[ii] *Novartis AG*, 853 F.3d at 1324; *SAS Institute*, 825 F.3d at 1351; *Belden*, 805 F.3d at 1080.

[iii] *Securus Technologies, Inc. v. Global Tel\*Link Corporation*, 685 Fed.Appx. 979, 985 (Fed. Cir. 2017) (unpublished) (citing *Belden*, 805 F.3d at 1081).

[iv] *Securus*, 685 Fed.Appx. at 985; *Genzyme Therapeutic Products Limited Partnership v. Biomarin Pharmaceutical Inc.*, 825 F.3d 1360, 1367 (Fed. Cir. 2016).

[v] *Id.*

[vi] *Novartis*, 853 F.3d at 1324 - 1326.

[vii] *EmeraChem Holdings, LLC v. Volkswagen Group of America, Inc.*, 859 F.3d 1341, 1348 - 1352 (Fed. Cir. 2017).

[viii] *Genzyme*, 825 F.3d at 1367.

[ix] *Id.* at 1367 - 1369.

[x] *Dell Inc. v. Accelaron, LLC*, 818 F.3d 1293, 1301 (Fed. Cir. 2016).

[xi] *Intellectual Ventures II LLC v. Ericsson Inc.*, 686 Fed.Appx. 900, 904 - 906 (Fed. Cir. 2017).

[xii] *SAS Institute*, 825 F.3d at 1350 - 1352.

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### Design Patents Continue to Show Survival Strength at the PTAB: Institution Rates Remain Lowest Among All Technology Categories and Well Below 50%

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While petitioners are successful over 60% of the time in getting the PTAB to institute trial on patents in the biotech, chemical, electrical/computer, mechanical, and business method arts, that is not the case for design patents. Since September 2016, the PTAB's institution rate for petitions filed against design patents has stayed well below 50%. As of December 2017 it was 41%. That number is based on a total of 41 decisions (17 institutions and 24 denials).

Why are design patents escaping post-grant challenges by a significantly wider margin than their utility counterparts? The 41% institution rate reflects the fact that petitioners are only successful about 40% of the time when they challenge design patents on the basis of anticipation and obviousness. Petitioners are also proving unsuccessful in challenging priority entitlement.

An analysis of the PTAB's institution decision-making for design patents reveals that petitioners are being denied institution on asserted anticipation grounds 62% of the time and are being denied institution on asserted obviousness grounds 66% of the time. In the context of challenging priority entitlement—which involves assessing whether the claim finds written description support in an earlier parent application—petitioners are failing 67% of time.

These numbers are no longer anecdotal—they reveal a meaningful and sustained trend. Namely, that design patents are difficult to invalidate. The trend is even more significant when one takes into account that the standard for institution is much easier to satisfy than the ultimate burden of proof at trial. To get institution, the petitioner need only demonstrate “a reasonable likelihood” of prevailing. 35 U.S.C. § 314(a). Thus, the PTAB is finding that the clear majority of petitioners are not demonstrating even a reasonable likelihood of proving unpatentability.

Each type of validity challenge described above is associated with a standard unique to design patent law. The standard for anticipation of a design patent is referred to as the “ordinary observer” test, which provides that a design claim is unpatentable if “in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, if the resemblance is such as to deceive such observer, inducing him to purchase one supposing it to be the other.” *Int'l Seaway Trading Corp. v. Walgreens Corp.*, 589 F.3d 1233, 1240 (Fed. Cir. 2009). Petitioners have struggled to meet this standard because the PTAB often finds that differences between the prior art and the claim are noticeable, rather than trivial. *See, e.g., Graco Children's Products Inc. v. Kolcraft Enterprises, Inc.*, IPR2016-00810, Paper 8 at 16 (Sept. 28, 2016); *Aristocrat Technologies, Inc. v. IGT*, IPR2016-00767, Paper 8 at 7, 12 (Sept. 14, 2016); *Medtronic, Inc. v. Nuvasive, Inc.*, IPR2014-00071, Paper 7 at 9-12 (Mar. 21, 2014); *ATAS International, Inc. v. Centria*, IPR2013-00259, Paper 11 at 14-15 (Sept. 24, 2013).

The standard for obviousness of a design patent is “whether the claimed design would have been obvious to a designer of ordinary skill who designs articles of the type involved.” *Apple, Inc. v. Samsung Elec. Co.*, 678 F.3d 1314, 1329 (Fed. Cir. 2012). There is a two-step inquiry requiring that: (1) “one must find a single reference . . . the design characteristics of which are basically the same as the claimed design;” and (2) “once this primary reference is found, other references may be used to modify it to create a design that has the same overall visual appearance as the claimed design.” *High Point Design, LLC v. Buyers Direct, Inc.*, 730 F.3d 1301, 1311 (Fed. Cir. 2013). It is very common for petitioners to fail at the first step. See, e.g., *Sketchers*, IPR2016-01043, -01044, -01045, Paper 8 or 7 (Nov. 16, 2016); *Aristocrat*, IPR2016-00767, Paper 8 at 7; *Premier Gem and Jay Gems Inc. v. Wing Yee Gems*, IPR2016-00434, Paper 9 (July 5, 2016); *Vitro Packaging, LLC v. Saverglass, Inc.*, IPR2015-00947, Paper 13 (Sept. 29, 2015); *Dorman Products, Inc. v. Paccar, Inc.*, IPR2014-00542, -00555, Paper 10 (Sept. 5, 2014); *Medtronic*, IPR2014-00071, Paper 7; *ATAS*, IPR2013-00259, Paper 11.

Entitlement to priority is based on whether there is written description support for the design claim in an earlier filed application. The standard is “whether the disclosure of the application relied upon reasonably conveys to those skilled in the art that the inventor had possession of the claimed subject matter as of the filing date.” *In re Owens*, 710 F.3d 1362, 1366 (Fed. Cir. 2013). In design patent law, the possession standard looks to the drawings to provide written description. Petitioners have been largely unsuccessful in challenging priority, which they often do to assert intervening prior art or to argue that the patent is eligible for post-grant review (PGR). See, e.g., *Sketchers*, IPR2016-00870, -00871, -00872, -00874, -00875, Paper 8 or 11 at 21-23 (Sept. 29, 2016) (denying priority challenge asserted to introduce intervening art); *David’s Bridal, Inc. v. Jenny Yoo Collection, Inc.*, PGR2016-00041, Paper 9 at 13-18 (Feb. 22, 2017) (denying a priority challenge and determining, as a result, patent not eligible for PGR).

While understanding the nuances of these unique standards is one component of the difficulty petitioners seem to be encountering, that is not the whole story. The ability of design patents to withstand post-grant scrutiny is perhaps more accurately a reflection on the quality of original examination. The PTAB seems inclined to institute proceedings based on the strength of the merits, rather than on how skillfully petitioners plead their legal arguments. If that is true for the most part, then the better explanation for the exceptional durability of design patents appears to be that the design claim is patentable and that the Patent Office has done its job thoroughly.

From an enforcement perspective, this is good news. A failed attempt to institute post-grant proceedings against a patent asserted in litigation not only lifts the specter of a stay pending review by the PTAB, but often chills confidence in any invalidity contentions before the district court. Furthermore, securing denial of institution directly supports that there is not a substantial question of validity, which may help some patentees secure a preliminary injunction. Moreover, it goes without saying that an early victory at the PTAB can also help promote settlement.

In sum, a significant and sustained trend has emerged that design patents are more likely to survive challenges at the PTAB at the institution stage. Not only does this have strategic implications for patentees, but reflects positively on the quality of original examination.

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On January 8, 2018, the Federal Circuit issued its long-awaited *en banc* decision in *Wi-Fi One, LLC v. Broadcom Corporation*, No. 2015-1944, 2018 WL 313065 (Fed. Cir. Jan. 8, 2018). The issue before the *en banc* Court was the reviewability on appeal of the one year time-bar for *inter partes* review set forth in 35 U.S.C. § 315(b). The § 315(b) time-bar prohibits petitioners—as well as their privies and any real parties in interest—from filing an IPR petition more than one year after being served with a complaint alleging infringement of the challenged patent.

An earlier panel of the Federal Circuit had determined that the Patent Trial and Appeal Board's determinations with respect to § 315(b) were unreviewable in view of the § 314(d) bar against appealing institution decisions. See *Achates Reference Publishing, Inc. v. Apple Inc.*, 803 F.3d 652, 658 (Fed. Cir. 2015). The *en banc* Court overruled *Achates* and held that the PTAB's decision not to apply the § 315(b) time-bar is reviewable on appeal from a final decision. Judges Hughes, Lourie, Bryson, and Dyk dissented on grounds that the appeal bar of § 314(d) should be regarded as "absolute" and that § 315(b) should be subject to it and thus not appealable.

The *en banc* majority first considered the Supreme Court's decision in *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131 (2016) and evaluated how application of the § 315(b) time-bar differs from the PTAB's discretion to institute trial on the merits. The majority held that the PTAB's assessment of the § 315(b) time-bar does not go to the *merits* of the petition and is therefore "not akin to either the non-initiation or preliminary-only merits determinations for which unreviewability is common in the law, in the latter case because the closely related final merits determination is reviewable." The majority reasoned: "The time bar is not merely about preliminary procedural requirements that may be corrected if they fail to reflect real-world facts, but about real-world facts that limit the agency's authority to act under the IPR scheme."

The majority also focused on the Supreme Court's reasoning in *Cuozzo* that there is a strong presumption favoring judicial review of agency determinations. In light of this heavy presumption, the majority held: "We find no clear and convincing indication in the specific statutory language in the AIA, the specific legislative history of the AIA, or the statutory scheme as a whole that demonstrates Congress's intent to bar judicial review of § 315(b) time-bar determinations . . . ." Having concluded that § 315(b) is not "closely related" to the provisions considered by the Supreme Court in *Cuozzo*—but rather to a statutory "condition precedent to the Director's authority to act"—the majority concluded that "[e]nforcing statutory limits on an agency's authority to act is precisely the type of issue that courts have historically reviewed," and thus, "[w]e hold that time-bar determinations under § 315(b) are reviewable by this court."

Viewed narrowly, the holding in *Wi-Fi One* means that patent owners who challenge petitions as

being time-barred under § 315(b) can now appeal an adverse determination on that issue to the Federal Circuit. Common examples include cases where the patent owner has alleged that the petitioner is in privity with a time-barred party, or that the real party in interest is time-barred. Challenges based on privity or real party in interest can involve related discovery disputes and administrative rulings. Other examples include the PTAB's statutory interpretation of § 315(b), including administratively created exceptions and whether it may be triggered by arbitration complaints or complaints in International Trade Commission investigations.

Viewed more broadly, the holding in *Wi-Fi One* indicates that a majority of the *en banc* Court views limits on the PTAB's authority to be categorically different from the PTAB's initial assessment of the "merits." Judge O'Malley's concurring opinion in *Wi-Fi One* provides helpful guidance on the contours of this critical distinction. Further, this development in the law opens the door to a greater variety of challenges than were previously thought viable under *Cuozzo*.

While the holding in *Wi-Fi One* does not mean that all time-bar challenges under § 315(b) will prove successful—or even that the PTAB got it wrong in *Wi-Fi One*—it does mean that patent owners who have raised a challenge under § 315(b) that was unavailing before the PTAB will have their day in court if they properly raise, preserve, and appeal that issue. We expect informative developments regarding the merits of the § 315(b) challenge following remand of *Wi-Fi One* to the merits panel of the Federal Circuit. We will keep you apprised.

Coincidentally, on January 11, 2018 the PTAB announced two §315(b) decisions as informative: *Luv N' Care, Ltd. v. McGinley*, Case IPR2017-01216 (PTAB Sept. 18, 2017) (Paper 13) and *Amneal Pharmaceuticals, LLC v. Endo Pharmaceuticals, Inc.*, Case IPR2014-00360 (PTAB June 27, 2014) (Paper 15). This rounded out to four the total informative decisions on this issue: *TRW Auto. U.S. LLC v. Magna Elecs., Inc.*, Case IPR2014-00293 et al., Paper 18 (June 27, 2014) and *Motorola Mobility LLC v. Patent of Michael Arnouse*, Case IPR2013-00010, Paper 20 (Jan. 30, 2013).

In *Luv N' Care*, the Board denied institution after determining that the petition was not timely filed under 35 U.S.C. § 315(b), because payment was not received by the Office until after the date the petition was filed. The Board also denied petitioner's motion to assign an earlier filing date to the petition after determining that petitioner failed to show good cause for waiving the fee requirement.

In *Amneal* and *TRW*, the Board determined that the petitioner was timely filed under 35 U.S.C. § 315(b) because filing a motion to amend the complaint in district court, with an amended complaint attached, does not constitute service.

In *Motorola Mobility*, the Board determined that a petitioner must be served with a summons and complaint before the one-year time period for filing an *inter partes* review petition is triggered.

Finally, two PTAB decisions have been designated precedential on § 315(b) bar determining that a district court dismissal without prejudice does not trigger a § 315(b): *LG Elecs., Inc. v. Mondis Tech. Ltd.*, Case IPR215-00937, Paper 8 (Sept. 17, 2015) and *Oracle Corp. v. Click-to-Call Techs. LP* (§ III.A), Case IPR2013-00312, Paper 26 (Oct. 30, 2013).

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