Morgan Lewis

ANNUAL PTAB DIGEST

PTAB DIGEST 2021 / 2022:

THE LATEST TRENDS AND DEVELOPMENTS IN POST-GRANT PROCEEDINGS

CONTENTS

INTRODUCTION

As of 2021, post-grant proceedings have been in use for nine 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 US Patent Trial and Appeal Board (PTAB or Board) continues to be one of most popular venues for litigating patent disputes, with more than 13,700 petitions filed since 2013.

Even with this foundation, post-grant proceedings continue to evolve—both procedurally and substantively—from year to year, and 2021 was no exception. In the last year alone, the US Supreme Court gave the USPTO director the right to review decisions made by administrative patent judges (APJs) at the PTAB after finding that their unreviewable authority violates the Appointments Clause; the US Court of Appeals for the Federal Circuit further narrowed the scope of prior art available for design patents; and the PTAB clarified that a validity determination from a prior district court litigation does not automatically warrant discretionary denial of inter partes review (IPR) under the *Fintiv* factors.

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 as a top practice by organizations such as *Juristat, Patexia, Managing Intellectual Property*, and *The Legal 500 US*, the Morgan Lewis post-grant proceedings team consists of lawyers with patent litigation experience and technical knowledge spanning numerous disciplines. Several of our 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 communication in an ever-shifting legal landscape. As part of that effort, our PTAB working group compiles Morgan Lewis's annual *PTAB Digest* to help clients stay apprised of new PTAB developments.

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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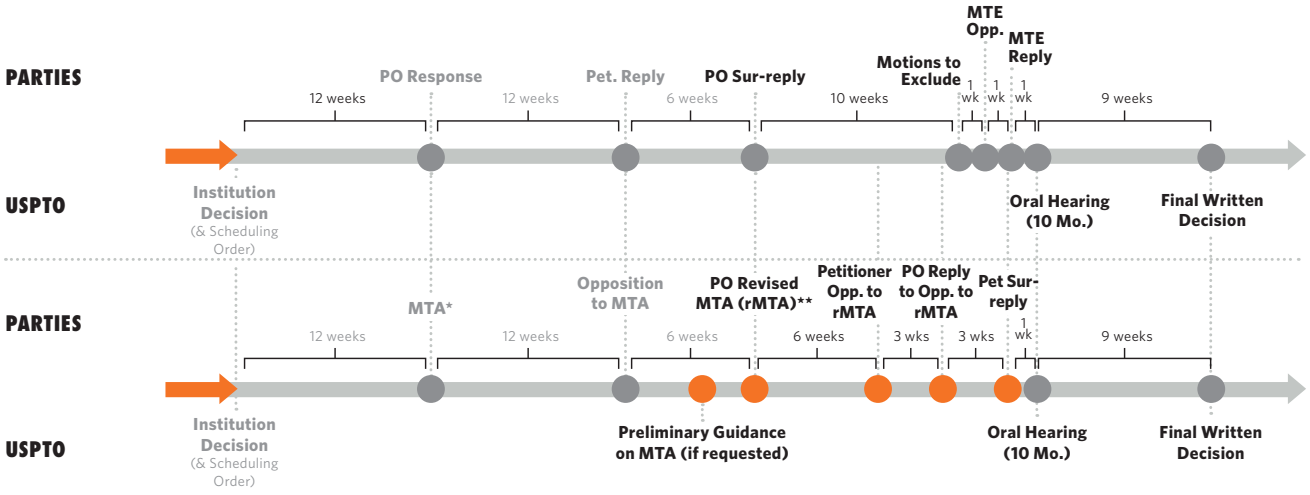
OVERVIEW OF POST-GRANT PROCEEDINGS

INTER PARTES REVIEW (IPR)

An IPR is a trial proceeding before the PTAB of the USPTO for raising patentability challenges against any claims in an issued US patent (including utility, design, and plant patents). Any party (that is not estopped, e.g., due to service of a complaint alleging patent infringement more than a year earlier) other than the patent owner can file an IPR petition.

The USPTO has also recently added patent owner sur-replies as a matter of course, which follow the petitioner reply to patent owner's response. Motion to amend practice has also evolved recently to include the option of filing an initial motion to amend, receiving preliminary guidance from the Board, and then exercising the option to file a revised motion to amend that addresses the Board's preliminary guidance. Example timelines showing the patent owner sur-replies and the new motion to amend practice are provided below:

REVISED MTA TIMELINE



New procedures in orange
Existing procedures in gray

* PO indicates in MTA whether it requests Preliminary Guidance
** If PO files a rMTA, Board adjusts schedule to this revised timeline

The only permissible grounds for challenging a patent in an IPR petition are anticipation and obviousness based on prior art patents or printed publications. Additionally, an IPR is only available nine months after a patent has issued (in the nine months directly after patent issuance, a different procedure, post-grant review, discussed below, is available instead).

Within three months of the filing of the challenger's IPR petition, the patent owner has the option to submit a preliminary response that may include a declaration from an expert. Within three months after the patent owner's preliminary response (or the date on which such a response was due), the PTAB issues an institution decision in which it evaluates the IPR petition and any preliminary response from the patent owner to determine whether the challenger has established a reasonable likelihood that at least one challenged claim is unpatentable. If the PTAB finds a reasonable likelihood that the petitioner would prevail as to at least one challenged claim, then the PTAB's institution decision will indicate that an IPR trial has been instituted as to all grounds in the IPR petition. Notably, even if the PTAB finds some deficiencies with certain grounds, as long as the petitioner meets the reasonable-likelihood-of-success standard as to at least one challenged claim, then the trial will proceed as to all grounds raised in the IPR petition.

If the PTAB institutes a trial, it will issue a scheduling order with deadlines that ensure completion of the proceeding within that statutory deadline of 12 months after the institution date (this statutory deadline can move back if another party joins the IPR proceeding).

The PTAB ultimately issues a final written decision as to the patentability of each of the challenged claims. Absent certain circumstances (e.g., where a petitioner would not have Article III standing on appeal because they have not been sued for infringing the challenged patent), either party can appeal the final decision to the US Court of Appeals for the Federal Circuit.

IPR provides several advantages for challengers as compared to fighting validity only during litigation, including the following:

- 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. For example, IPRs also provide for limited discovery only, which helps to reduce costs as compared to contesting validity during litigation, which has much more extensive discovery available.
- 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.
- Petitioners often request stays 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.

These advantages also come with certain risks. IPR estoppel is the main one. 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 USPTO, federal courts, and the US International Trade Commission.

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

POST-GRANT REVIEW (PGR)

A 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. A PGR is only available in the nine months following issuance of a patent.

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 (i.e., almost all invalidity challenges except those based in equity jurisprudence, including allegations of inequitable conduct).

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, but, as was noted above, discovery is much more limited in front of the PTAB as compared to during litigation.

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 (although this can create some risks in terms of having the requisite standing to appeal an adverse decision from the PTAB). 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).

Like IPRs, PGRs offer 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, including due to the much more limited discovery that is available during PGR proceedings.
- 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 a 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).

Although PGR is used as an alternative to civil litigation, petitioners should be wary of the broad potential estoppel effects of a PGR proceeding on subsequent litigation or other administrative proceedings (e.g., US International Trade Commission or USPTO actions). Like IPRs, estoppel after a PGR likely applies to estop the petition from raising arguments in subsequent litigation or other administrative proceedings that were raised or reasonably could have been raised during the PGR. Because the available challenges in a PGR are broader than those available in an IPR, the potential estoppel after a PGR is therefore broader and should be carefully considered when weighing the decision to file a PGR petition.

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 cannot be raised in a request for ex parte reexamination.

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 generally ceases after the party files the request (the third party could have the ability to response to a patent owner's statements, but those patent owner's statements are rarely filed). 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, as there is no statutory time limit for concluding the proceedings, but the USPTO does conduct ex parte reexaminations with "special dispatch" (i.e., these proceedings are supposed to move as fast as possible).

Like IPR and PGR, ex parte reexamination is a cost-effective alternative to using litigation to challenge patent validity, and the standard for proving that a claim is unpatentable is lower during an ex parte reexamination than during a litigation. Unlike IPR and PGR, there is no legal estoppel that can be imposed on the requester later on. The most important benefit of an ex parte reexamination request is that it can be submitted anonymously, a benefit that is not available for IPR and PGR proceedings.

Substantial risks from ex parte reexaminations exist because the patent owner has the ability to amend claims, add new claims, and interact with the patent examiner without any input from the third-party requester. Thus, a patent owner might be able to further improve their patent during an ex parte reexamination, so this risk must be carefully considered in making a decision as to whether the procedure should be used.

Ex parte reexamination is not only available to potential infringers, as patent owners can also consider using the proceedings to test (or improve) 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.

REISSUE

A reissue application may be filed by a patent owner to correct an error in a patent. Reissue applications are useful to correct substantive errors that cannot be corrected with a certificate of correction. For example, if new art is discovered after a patent issues, a reissue application may be used to get the new prior art considered by the USPTO.

In order for a reissue to be proper, the patent must be considered "wholly inoperative or partly inoperative or invalid" as a result of the error. See MPEP § 1401. Such errors may arise during the preparation and/or prosecution of an application that later became a patent.

Common bases for filing a reissue application include the following:

- The claims are too narrow or too broad (but note that broadening reissue can be only be filed within two years of a patent's issuance).
- The disclosure contains inaccuracies.
- Applicant failed to or incorrectly claimed foreign priority.
- Applicant failed to make reference to or incorrectly made reference to prior co-pending applications.

See MPEP § 1402.

Thus, reissue applications can be a helpful tool for a patent owner to strengthen its patent portfolio before it is attacked by competitors or to prepare a patent for use in a later litigation.

SUPPLEMENTAL EXAMINATION

Supplemental examination may be requested by a patent owner in order to have the USPTO consider, reconsider, or correct information that the patent owner believes is relevant to the patent. Generally, a supplemental examination can be used to help mitigate concerns of potential inequitable conduct during prosecution before the USPTO. In particular, per 35 U.S.C. § 257(c), a "patent shall not be held unenforceable on the basis of conduct relating to information that had not been considered, was inadequately considered, or was incorrect in a prior examination of the patent if the information was considered, reconsidered, or corrected during a supplemental examination of the patent."

Supplemental examination is not limited to the consideration of patents and printed publications. Instead, a patent owner may request supplemental examination of its patent based on any of the following:

- Patent eligible subject matter under Section 101
- Anticipation under Section 102
- Obviousness under Section 103
- Public use or sale bars
- Written description, indefiniteness, and enablement under Section 112
- Double-patenting under Section 108

The standard for granting a supplemental examination request is whether one or more of the items presented by the patent owner (e.g., patents, printed publications, or other issues) raises a substantial question of patentability (SNQ). If the patent owner meets the requirements for a proper supplemental examination request, then the USPTO will conduct the supplemental examination within three months from when the proper supplemental examination request was made. The USPTO will ultimately conclude the supplemental examination by issuing a certificate indicating whether an SNQ has been raised.

When the USPTO determines that an SNQ has been raised, an ex parte reexamination will be ordered. Ex parte reexaminations that follow a supplemental examination are significant because they are not limited to patents and printed publications. Finally, the USPTO will issue an ex parte reexamination certificate after the ex parte reexamination is complete. This certificate will indicate whether the reexamined claims are cancelled, amended, newly added, or unchanged.

THIRD-PARTY PREISSUANCE SUBMISSIONS

Third-party preissuance submissions provide a mechanism for third parties to submit patents, published patent applications, and other printed publications of potential relevance to the examination of a patent application. Preissuance submissions must include a concise description of the asserted relevance of each patent, published patent application, and other printed publication submitted.

Preissuance submissions must be timely filed and the windows for such submissions are pretty short. Specifically, preissuance submissions must be filed (1) before the mailing of a notice of allowance and (2) before the later of six months from the publication or mailing of a first office action rejecting any claim in the patent application.

Although preissuance submissions may bolster a competitor's patent application if the submitted prior art is overcome, they may also cause the examiner to incorporate the submitted prior art in a rejection, which could lead to the narrowing of the claim scope in a competitor's patent application.

Ultimately, preissuance submissions are an attractive option when opposing a competitor's patent application because they offer a low-cost alternative to future litigation by preemptively attempting to halt a patent grant in the early stages of prosecution.

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.

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."

To initiate a derivation proceeding, a petitioner must file their own patent application and a petition 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 (1) an individual named in the earlier-filed application derived the invention from an individual named in the petition, and (2) 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. In the case of a pending application, 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.

EX PARTE APPEALS DURING EXAMINATION

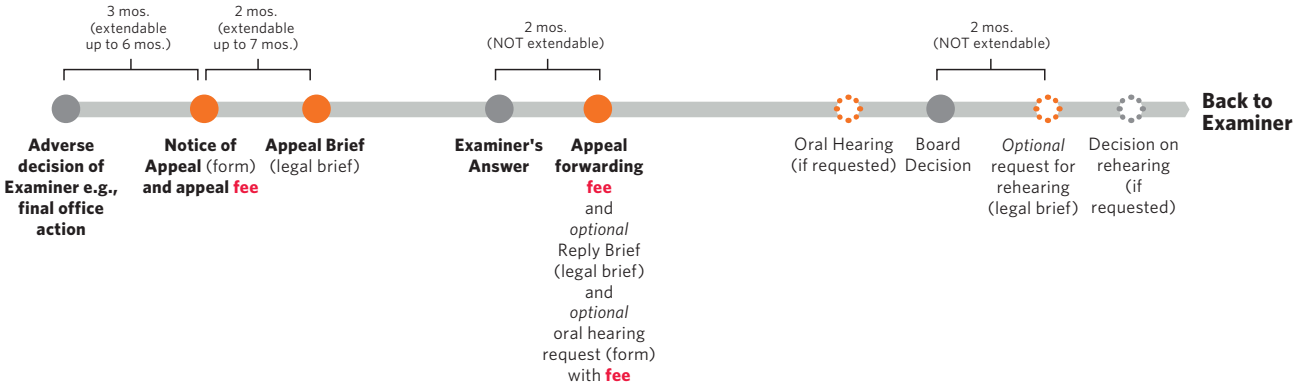
If a patent application has been twice rejected at the USPTO or a final office action has been issued, it may be time to file an appeal. By filing an appeal, a pending application is reviewed by a panel of at least three administrative patent judges, rather than the same examiner who already rejected the pending claims.

In order to begin the appeal process, a notice of appeal must be filed. This notice of appeal can be filed within three months of a final office action, or six months of the final office action with payment of the appropriate extension fees. Once a notice of appeal is filed, a two-month deadline to file an appeal brief is triggered, but this deadline may be extended an additional five months. In the appeal brief, arguments must be articulated to overcome the examiner's rejection of the pending claims. Note, any arguments not raised in the appeal brief may be waived later on, so it is important to raise all potential arguments at the outset (i.e., in the appeal brief).

After the appeal brief is filed, the examiner must respond to all arguments in an examiner's answer and, in doing so, consider whether to maintain or modify each rejection. The Board will then consider the arguments raised in the examiner's answer and appeal brief. Ultimately, the Board will either (1) agree with the applicant and instruct the examiner to allow the application, or (2) reject the appeal and side with the examiner to maintain the rejection(s).

Note, the applicant has the option of filing a reply brief to substantively respond to the examiner's answer. Additionally, the applicant can also request an oral hearing during which oral argument will be heard by the Board. These two options at the disposal of the applicant provide additional avenues to put arguments before the Board, which do not exist during the traditional course of prosecution.

EX PARTE APPEAL PROCESS

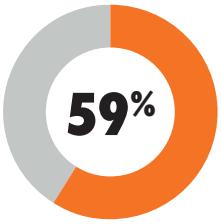


Source: USPTO

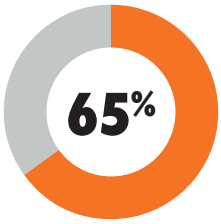
For a quick summary comparing these various types of proceedings, see our Post-Grant Proceedings Chart.

PTAB SNAPSHOT

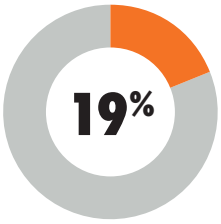
SNAPSHOT: PTAB TRIALS (2021)



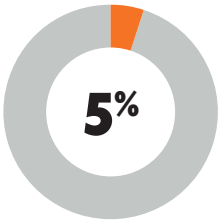
PTAB Institution Rate by Petition FY21



PTAB Institution Rate by Patent FY21



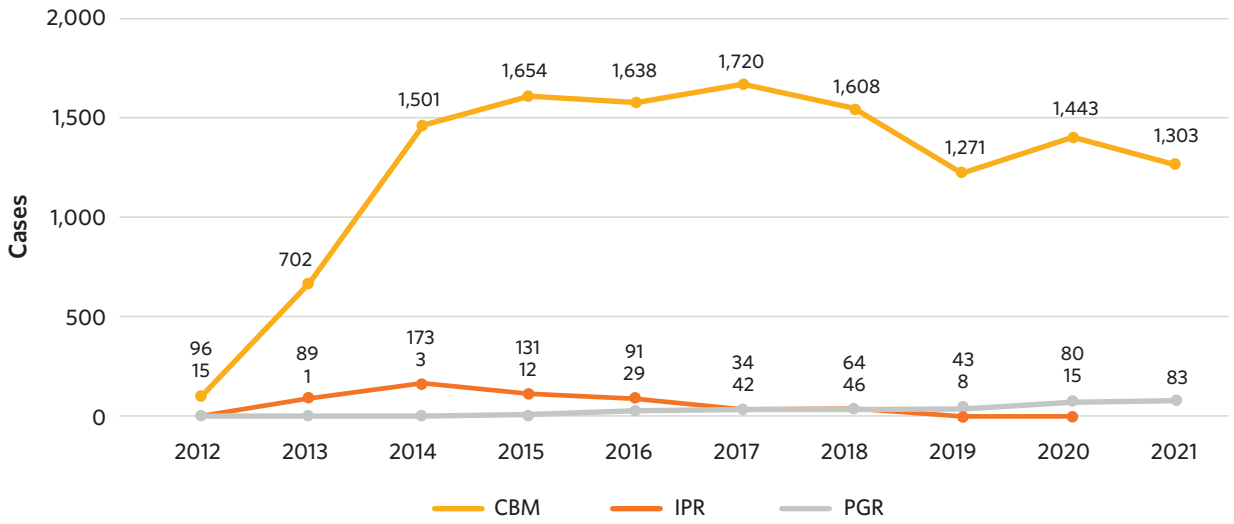
Outcome by Claim Challenged: FWD Unpatentable



Outcome by Claim Challenged: FWD Patentable

NEW PTAB PETITIONS BY YEAR

These charts show the number of new IPR, CBM, and PGR petitions filed in the Patent & Trademark Appeals Board (PTAB) by year.



Institution rates by petition and by patent for FY21 are based on information available from the USPTO through December 31, 2021. See PTAB Trial Statistics FY 2022 Q1 Outcome Roundup IPR, PGR. Due to the way in which statistics were reported from the USPTO through December 31, 2021, outcomes by claim challenged are for January 1, 2021 through December 31, 2021 and based on PTAB Trial Statistics FY 21 End of Year Outcome Roundup IPR, PGR, CBM (FY21: 10/1/2020 – 09/30/2021) and PTAB Trial Statistics FY22 Q1 Outcome Roundup IPR, PGR (FY22 through Q1: 10/1/2021 – 12/31/2021) less PTAB Trial Statistics FY 21 Q1 Outcome Roundup IPR, PGR, CMB (FY21 through Q1: 10/1/2020 – 12/31/2020).

THE CHANGING LANDSCAPE OF PATENT DISPUTES

THE AMERICA INVENTS ACT (AIA) WENT INTO EFFECT IN SEPTEMBER 2012, PROVIDING ACCUSED PATENT INFRINGERS WITH NEW MECHANISMS TO CHALLENGE ISSUED PATENTS BEFORE THE PATENT TRIAL AND APPEAL BOARD (PTAB OR BOARD).

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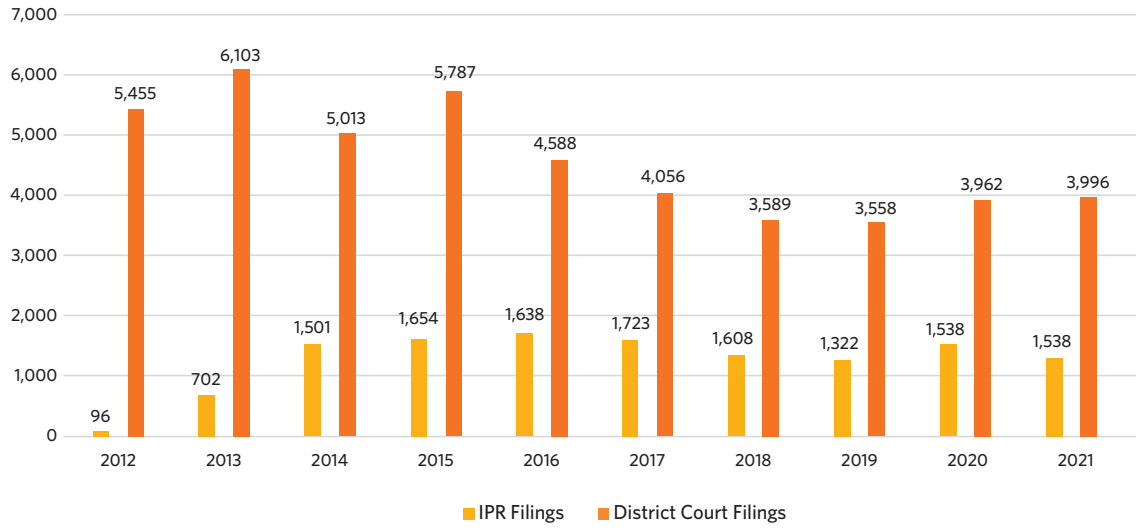
These mechanisms include inter partes review (IPR), post-grant review (PGR), and a transitional program for covered business method (CBM) patents, which ended this year. Certain benchmarks and tracking measures reveal noteworthy trends, which are summarized below.[1]

IPR AND DISTRICT COURT FILINGS REBOUND

The number of IPR petition filings in 2021 declined against a brief uptick in 2020. Meanwhile, the downward trend in district court patent litigation filings from 2016 to 2019 continued its slight upward trajectory from 2020 through 2021.



District court filings increased in 2021 with the highest number of new cases filed since 2015: 3,996. The number of IPR petitions decreased again to 1,301.

BIG TECH CONTINUES TO EMBRACE IPRS

With IPRs being a less expensive alternative to prolonged district court litigation, parties with busy patent litigation dockets often have busier IPR dockets. Indeed, IPRs offer defendants another avenue to invalidate asserted patents and potentially negotiate settlements.

In 2021, Samsung Electronics Co., Ltd. and Samsung Electronics America, Inc. were the top patent challengers in district court patent cases (62).[2] Google LLC (46) and Apple Inc. (43) followed.[3]

Samsung Electronics Company, Ltd. was the top petitioner before the PTAB with 128 filings.[4] Apple, Inc. came in second (71), followed by Samsung Electronics America, Inc. (58) and Google LLC (54), respectively.[5] These are the same four top petitioners as in 2020.

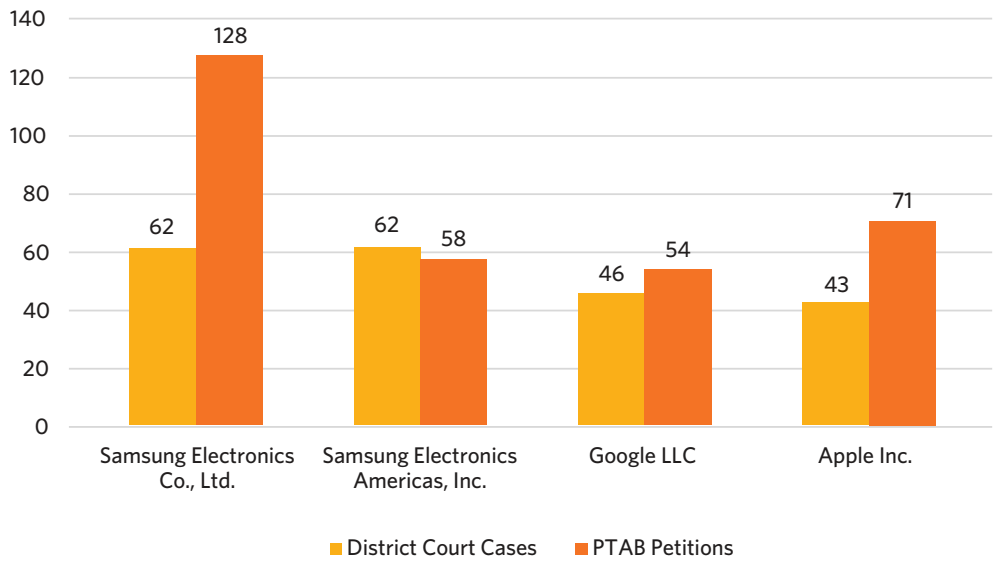
[1] We compiled these statistics using Docket Navigator, Lex Machina, and the USPTO PTAB Statistics. They should be treated as estimates throughout.

[2] Docket Navigator, 2021 Year in Review: Patent Litigation Special Report at p. 11.

[3] *Id.*

[4] Docket Navigator, 2021 Year in Review: Patent Litigation Special Report at p. 33.

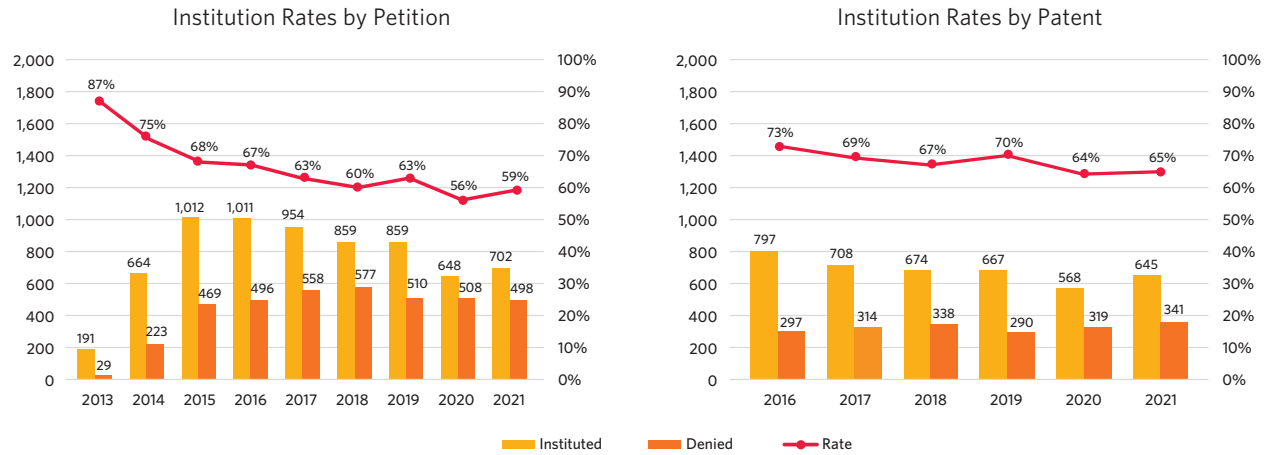
[5] *Id.*



INSTITUTION RATES CONTINUE TO DECLINE

After a decline in PTAB trial institution rates in 2020, the institution rate by petition in 2021 saw a slight increase to 59% following 2020's 56%. The institution rate by patent in 2021 was 65%—only 1% higher than in 2020.[6] Factors that may have contributed to a gradual, overall decline since 2019 include (1) public or congressional pressure; (2) stricter standards for follow-on petitions and petitions that use the same art as in earlier proceedings; (3) an increase in challenges to robust, competitor patents; (4) the effects of the US Supreme Court's decision in *SAS Institute Inc. v. Iancu*, 138 S. Ct. 1348 (2019); (5) the PTAB's adoption of the *Phillips* claim construction standard; and (6) the PTAB's increased willingness to exercise its discretion.

Institution Rates



[6] Institution rates by petition and by patent for each fiscal year are based on information available from the USPTO through December 31, 2021. *See* PTAB Trial Statistics FY 2021 Q1 Outcome Roundup IPR, PGR.

Since 2018, the PTAB has relied on 35 U.S.C. § 314(a) to exercise its discretion in denying institution of petitions in light of the advanced state of a parallel district court proceeding.[7] The PTAB's March 2020 precedential opinion in *Apple Inc. v. Fintiv Inc.* provided further guidance by enumerating six factors the PTAB may consider when determining whether to institute an IPR when there is a parallel district court proceeding:

1. Whether the court granted a stay or evidence exists that a stay may be granted if a proceeding is instituted
2. Proximity of the court's trial date to the PTAB's projected statutory deadline for a final written decision
3. Investment in the parallel proceeding by the court and the parties
4. Overlap between issues raised in the IPR petition and in the parallel proceeding
5. Whether the petitioner and the defendant in the parallel proceeding are the same party
6. Other circumstances that impact the Board's exercise of discretion, including the merits[8]

In its *Apple Inc. v. Fintiv Inc.* decision, the Board explained that it takes a "holistic view" in evaluating the factors to determine whether efficiency, fairness, and the merits support denying institution in view of an earlier trial date in the parallel proceeding.[9]

However, with institution rates in 2021 comparable to those in 2020, it does not appear that the *Fintiv* decision has significantly affected the general trend in rates.

SAS HAS NOT MEANINGFULLY CHANGED INSTITUTION RATES

In *SAS Institute Inc. v. Iancu*, the US Supreme Court upheld the constitutionality of post-grant proceedings but brought the PTAB's practice of selective institution to an abrupt end.[10] Before the Supreme Court's decision in *SAS*, the PTAB would institute a proceeding on only those challenged claims for which the petition satisfied the threshold standard for instituting a proceeding, and issue a final written decision only on the instituted claims. Now, when the PTAB institutes a proceeding, it must decide the patentability of all claims originally challenged by the petitioner under 35 U.S.C. § 318(a).[11] That is, "the PTAB will institute as to all claims or none."[12]

As shown below, the number of petitioned claims on which the PTAB instituted a proceeding following *SAS* initially spiked. This may reflect the PTAB's decision to "issue an order supplementing the institution decision to institute on all challenges raised in the petition" for some "pending trials" at the time of the *SAS* decision "in which a panel ha[d] instituted trial only on some of the challenges raised in the petition (as opposed to all challenges raised in the petition)."[13] But, after the initial 2018 spike, the yearly institution rate returned to nearly the same as before *SAS* and eventually declined to all-time low in 2021.[14]

[7] *See NHK Spring Co. v. Intri-Plex Techs., Inc.*, IPR2018-00752, Paper 8 (PTAB Sept. 12, 2018) (precedential decision).

[8] *Apple, Inc. v. Fintiv, Inc.*, IPR2020-0019, Paper 11, at 6 (PTAB Mar. 20, 2020) (precedential decision).

[9] *Id.*

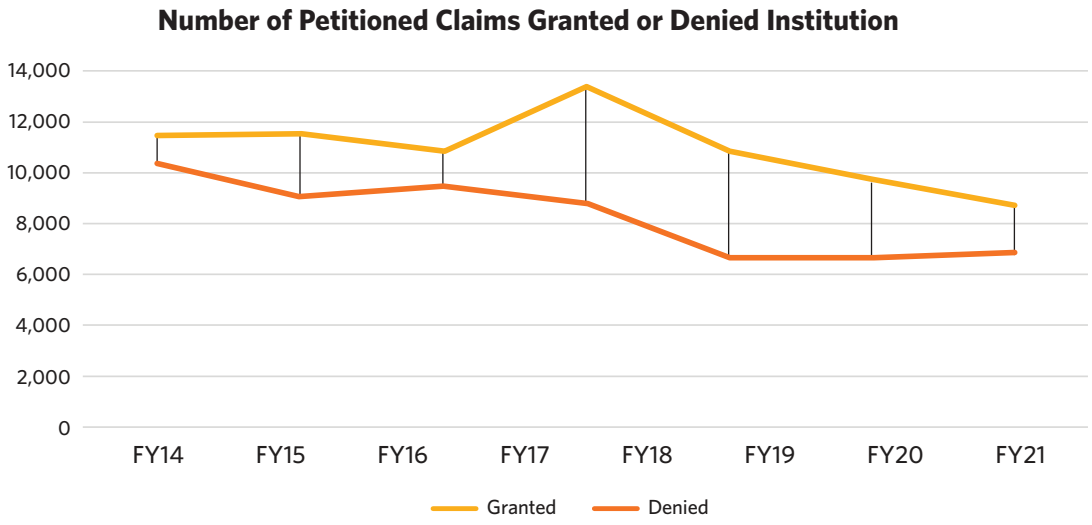
[10] 138 S. Ct. 1348 (2018).

[11] *Id.* at 1354.

[12] USPTO, Guidance on the impact of SAS on AIA trial proceedings (Apr. 26, 2018).

[13] *Id.*

[14] USPTO, PTAB Trial Statistics FY20 End of Year Outcome Roundup; USPTO, PTAB Trial Statistics FY19 End of Year Outcome Roundup.



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.[15] Additional discovery may be available if the moving party shows that it is in the "interests of justice."[16] In *Garmin International, Inc. v. Cuozzo Speed Technologies, LLC*,[17] the Board set forth five factors that it will consider in determining 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
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."[18]

The Board has been willing to grant additional discovery beyond the "routine" categories in some cases. One example from 2021 is *Godbersen-Smith Construction Co. v. Guntert & Zimmerman Construction Division, Inc.*, IPR2021-00136, Paper 40 (PTAB Oct. 13, 2021). There, the petitioner filed a "discovery motion" seeing the production of 13 documents from the record of the parallel district court action between the parties.[19] The petitioner argued first that the documents should be produced as routine discovery and then argued in the alternative that they be produced as additional discovery.[20] The Board determined that the petitioner made a sufficient showing that the documents should be produced as additional discovery and, as such, did not address the petitioner's arguments for production of the same documents as routine discovery.[21]

[15] *See* 37 C.F.R. § 42.51(b)(1).

[16] *Id.* § 42.51(b)(2).

[17] IPR2012-00001, Paper 26, at 6-17 (PTAB Mar. 5, 2013) (precedential decision) (citing Paper 20 at 2-3).

[18] Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, 81 Fed. Reg. 18,750, 18,757 (Apr. 1, 2016).

[19] *Id.* at 2.

[20] *Id.*

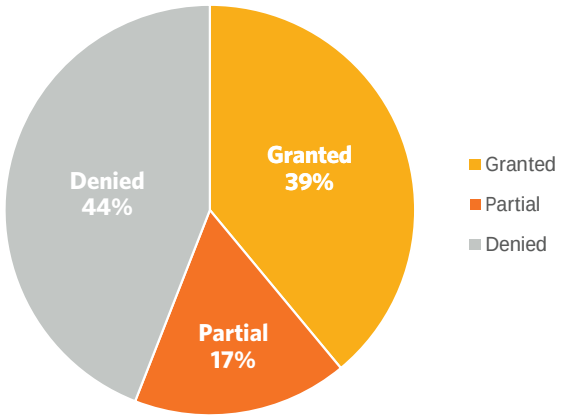
[21] *Id.*

Applying the *Garmin* factors, the Board explained for the first factor that the petitioner did not make a "uniformly concrete" showing for each of the requested documents.[22] But the Board nevertheless determined it "fair to permit Petitioner the targeted discovery it seeks" to rebut arguments stemming from the previous additional discovery that the patent owner requested and the Board granted.[23] For the second factor, the Board was "persuaded by the Petitioner's argument that none of the requested documents reveal Patent Owner's litigation positions, which argument Patent Owner does not dispute."[24]

The Board also agreed with the petitioner that the third *Garmin* factor supported the request where "the requested documents are Patent Owner's internal documents that it has marked confidential," and "the probative value of the testimony" concerning market share data "may be enhanced by the fact that it was not offered with the specific goals of this proceeding in mind."[25] And, as to the fourth and fifth factors, the Board agreed with the petitioner "that the request is easily understandable because the documents are identified by bates numbers or deposition date and that Patent Owner would not be unduly burdened by having to produce these specifically identified documents." [26] Thus, the *Garmin* factors weighed in favor of granting the petitioner's request for additional discovery.[27]

As shown below, some type of additional discovery has been ordered in slightly more than 50% of the motions requesting it in 2021, which is an increase from the approximately 27% in 2020.[28]

IPR Motions for Additional Discovery 2021



REQUESTS FOR REHEARING

The Board's decision whether to institute trial is "final and nonappealable."[29] After an unfavorable institution decision, a dissatisfied party seeking to upend the decision may file a request for rehearing.[30]

A request for rehearing is similar 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 identify specifically all matters the party believes the Board misapprehended or overlooked, and the place where each matter was addressed previously.[31] A request for rehearing is not a chance to present new arguments or evidence that could have been presented in the petition.[32]

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[22] *Id.* at 3.

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

[24] *Id.* at 4.

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

[26] *Id.* at 5.

[27] *Id.* at 4.

[28] Success rates for IPR motions seeking additional discovery are based on information dated January 1, 2021 to December 31, 2021 on Docket Navigator.

[29] 35 U.S.C. § 314(d); *see also Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2139-41 (2016).

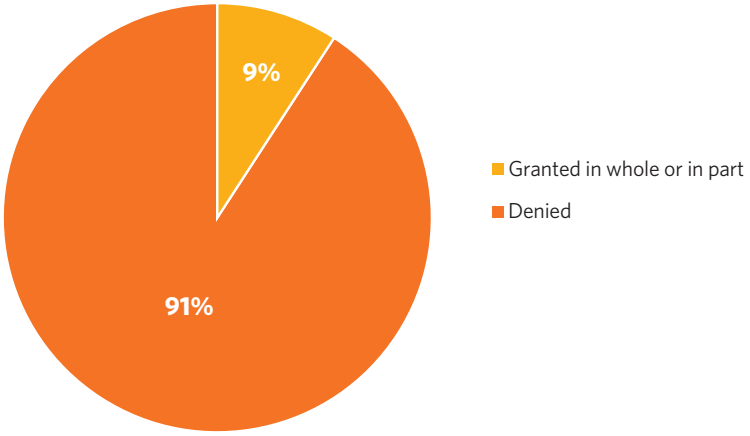
[30] 37 C.F.R. § 42.71.

[31] *Id.* § 42.71(d).

[32] *Foursquare Labs, Inc. v. Silver St. Intellectual Techs., Inc.*, IPR2014-00159, 2014 WL 3945911, at *4 (PTAB Aug. 1, 2014).

Requests for rehearing are rarely granted. To date, the PTAB has denied nearly all requests, with less than 10% succeeding overall.[33]

Requests for Rehearing Success Rate



One possible reason for the nominal success rate is the movant's high burden. The movant must show that "the Board misapprehended or overlooked" matters in its previous ruling.[34] Still, a request for rehearing may be a party's best or only option after receiving an unfavorable decision.

TIME TO MILESTONES

An AIA trial is statutorily required to be completed within one year of its institution.[35] As shown below, the PTAB generally adheres to the representative timeline first provided in the 2012 trial guide.[36] But deviations may occur. For example, the one-year time limit may be extended up to six months for good cause or adjusted for joinder of multiple proceedings.[37]

	Institution Decision (From Petition Filing Date)	**Final Written Decision (From Petition Filing Date)**
Minimum through Dec. 31, 2021[38]	3.5 months	10.7 months
Median through Dec. 31, 2021	6.2 months	1 year, 6.1 months
Maximum through Dec. 31, 2021[39]	7.8 months	1 year, 8.4 months
Average through Dec. 31, 2021	6.2 months	1 year, 6 months

[33] Success rates for requests for rehearing are based on information dated January 1, 2021 to December 31, 2021 on Docket Navigator.

[34] 37 C.F.R. § 42.71(d).

[35] 37 C.F.R. §§ 42.100(c), 42.200(c), 42.300(c).

[36] 77 Fed. Reg. at 48,757.

[37] 37 C.F.R. §§ 42.100(c), 42.200(c), 42.300(c).

[38] Excluding outliers.

[39] Excluding outliers.

MOTION TO AMEND CLAIMS

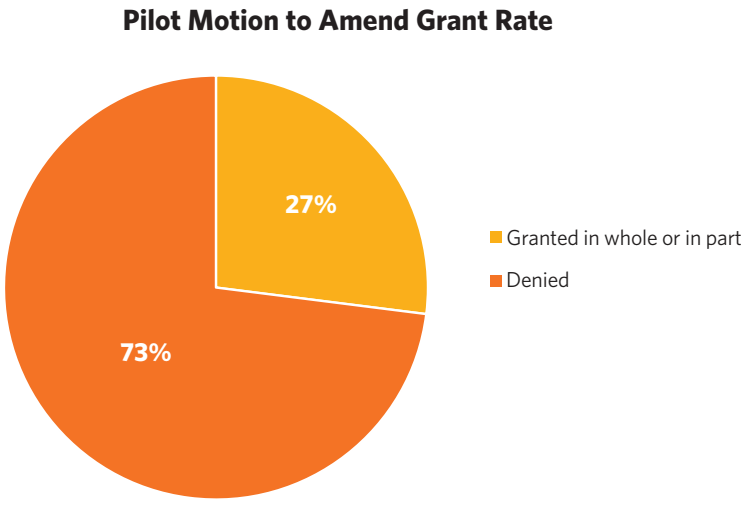
Unlike district court litigation, post-grant proceedings before the PTAB afford patent owners the opportunity to amend any challenged patent claims under 35 U.S.C. § 316(d). By filing a motion to amend during the pendency of a proceeding, patent owners may persuade the Board to either (1) cancel any challenged claims or (2) replace any challenged claims with substituted claims. Though intended to provide patent owners with a level playing field, the PTAB has rarely granted PGR in the past, largely due to previously imposing on patent owners the burden of proving that the amending claims are patentable over the prior art.

That all changed in 2017 when the US Court of Appeals for the Federal Circuit in *Aqua Products, Inc. v. Matal*[40] held that patent owners no longer bear the burden of demonstrating the patentability of the proposed claim amendments. With a decision including five separate opinions, the court concluded that "(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."[41]

Following the Federal Circuit's decision, the USPTO issued a memorandum titled "Guidance on Motions to Amend in view of *Aqua Products*."[42] The memorandum states that "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."[43]

Then, in March 2019, the UPSTO initiated the Motion to Amend pilot program, which provides patent owners with two options: (1) a patent owner may choose to receive preliminary guidance from the Board on its motion to amend; and/or (2) a patent owner may file a revised motion to amend after receiving the petitioner's opposition to an initial motion to amend and/or after receiving the Board's preliminary guidance.[44]

The USPTO reported that, from March 15, 2019 to August 31, 2021, patent owners filed motions to amend in about the same percentage of cases as before the pilot program (i.e., approximately 10%). The USPTO also reported that patent owners had elected one or both pilot options in the vast majority of cases. And the USPTO indicated that, as of September 23, 2021, patent owners filing motions to amend under the pilot program were more likely to have their motions to amend granted for at least one substituted claim, as shown by the chart below.[45]



[40] 872 F.3d 1290 (Fed. Cir. 2017).

[41] *Id.* at 1327.

[42] *See* Memorandum from David P. Ruschke, Chief Administrative Patent Judge, to PTAB (Nov. 21, 2017).

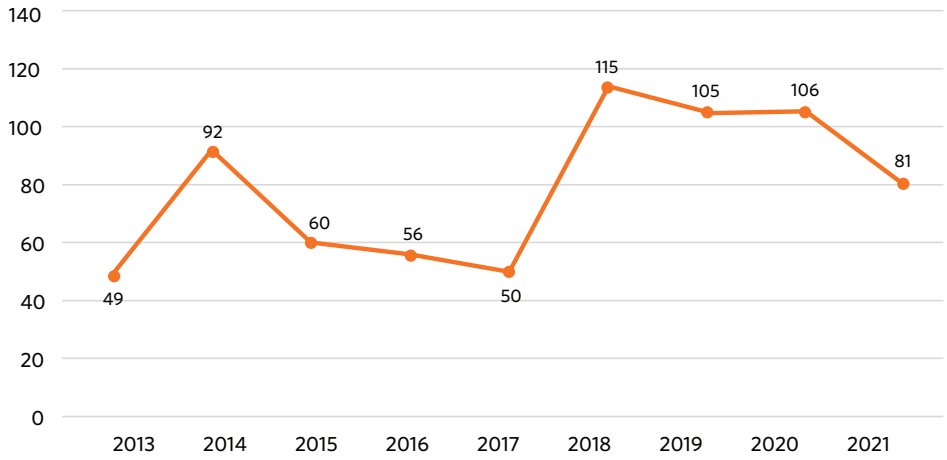
[43] *Id.*

[44] PTAB Bar Association, "PTAB Judges Panel – An Inside Perspective."

[45] *Id.*

Sensing a turn in the tide, patent owners started filing motions to amend at unprecedented rates. The number of motions to amend filed in fiscal year 2019 (105) was slightly less than the number filed in fiscal year 2018 (115), but that number was still more than double the number of motions to amend filed in fiscal year 2017 (50).[46] After staying relatively steady from 2019 to 2020 (106), the number of motions to amend filed in 2021 was at its lowest point (81) since 2017.[47]

Motions to Amend (Substitute or Cancel) Filed by Year



In *Lectrosonics, Inc. v. Zaxcom, Inc.*,[48] which is now designated a precedential decision, the PTAB provided additional guidance on the statutory and regulatory requirements for motions to amend, including

1. contingent motions to amend;
2. the burden of persuasion applied when considering the patentability of substitute claims;
3. the reasonable number of substitute claims;
4. the requirement that amendments respond to a ground of unpatentability involved in the trial;
5. the scope of the proposed substitute claims;
6. the requirement that a motion to amend include a claim listing;
7. the default page limits that apply to motion to amend briefing and the submission of testimony or evidence; and
8. the duty of candor.

Notably, the PTAB explained that "the burden of persuasion ordinarily will lie with the petitioner to show that any proposed substitute claims are unpatentable by a preponderance of the evidence" in accordance with *Aqua Products*.[49] The PTAB also clarified that amendments are not limited to only those aiming to overcome an instituted ground. Rather, "once a proposed claim includes amendments to address a prior art ground in the trial, a patent owner also may include additional limitations to address potential § 101 or § 112 issues, if necessary."[50] Finally, the PTAB reiterated that a motion to amend "may not present substitute claims that enlarge the scope of the claims of the challenged patent or introduce new subject matter."[51]

[46] Patent Trial and Appeal Board Motion to Amend Study, Installment 6: Update through March 31, 2020.

[47] Data for Motions to Amend are based on information dated January 1, 2021 through December 31, 2021 on Docket Navigator.

[48] *See* IPR2018-01129, -1130, Paper 15 (PTAB Feb. 25, 2019) (precedential decision).

[49] *Id.* at 4.

[50] *Id.* at 5-6.

[51] *Id.* at 6-8.

CONCLUSION

IPR proceedings remain an important cog in the US patent system. Scrutinizing statistics since IPRs went into effect are an important tool in guiding strategy for patent owners and petitioners alike.

We continually build upon this knowledge of IPR proceedings to offer focused services and achieve positive outcomes for our clients. Having represented clients in over 220 PTAB trials, our team has a proven record of success. For trials in which the PTAB has issued a final written decision, we have an 80% rate of receiving whole or partial wins when representing petitioners, and a 59% success rate when representing patent owners.

For these successes and others, we have received numerous accolades, including the following:

- **Recognized, IP Stars**, PTAB Litigation, United States, *Managing Intellectual Property* (2017–2021)
- **Recommended, Intellectual Property, Patents: Prosecution** (including Re-Examination and Post-Grant Proceedings), *The Legal 500 US* (2019–2022)
- **Top 10 Patent Challenger Law Firms**, based on number of proceedings, *Docket Navigator* (2020)
- **Top 30 Law Firms at the PTAB**, Representing Petitioners and Respondents Combined, *Managing Intellectual Property* (2019)

GOVERNMENT ARGUMENTS POTENTIALLY OPEN CONSTITUTIONAL CAN OF WORMS REGARDING PTAB APPOINTMENTS

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In response to arguments made by the US government in an appeal pending before the US Supreme Court, members of Congress requested an investigation into the adequacy of due process afforded to Patent Trial and Appeal Board litigants, in particular the amount of supervision and arbitrary control exercised by the director of the US Patent and Trademark Office over PTAB decisionmaking. This request stemmed from the government's attempts to reverse the Federal Circuit's prior determination that the director lacked sufficient supervision and control over administrative patent judges to render them "inferior officers" not subject to Senate confirmation.

In *Arthrex, Inc. v. Smith & Nephew, Inc.*, the US Court of Appeals for the Federal Circuit found administrative patent judges (APJs) for the Patent Trial and Appeal Board (PTAB) to be "primary officers" of the United States such that their appointment was unconstitutional in the absence of Senate confirmation.[1] Specifically, it determined that the director of the US Patent and Trademark Office (USPTO) lacked sufficient (1) review power, (2) supervision and control, or (3) removal power over APJs to render them "inferior officers" that would not be subject to Senate confirmation.[2] The Federal Circuit nevertheless preserved the broader statute by severing only the removal restrictions for APJs, thus expanding the director's removal power and rendering APJs "inferior officers."[3]

Arthrex and the US government have cross-appealed in a pending case before the Supreme Court of the United States: the government seeks a determination that the USPTO director had sufficient supervision and control over APJs to render them "inferior officers" (such that severance is unnecessary), whereas Arthrex seeks to overturn the determination that severing removal restrictions would resolve the constitutional defect.

[1] 941 F.3d 1320 (Fed. Cir. 2019).

[2] See id. at 1329-34.

[3] Id. at 1335-38.

The government's arguments describing the extent of the director's purported supervision and control powers over APJs, however, has caused congressional concern over the adequacy of due process afforded to litigants before the PTAB. In a June 3 letter, members of the House Subcommittee on Courts, Intellectual Property, and the Internet explained:

> [T]he government's position is that APJs are instead "inferior officers" who do not require Senate confirmation because ***they are subject to significant oversight and control*** by the Director of the USPTO, who is a Senate-confirmed political appointee. The government argues that this control includes, for example, ***the ability of the Director to dictate the outcome of PTAB cases by controlling which APJs decide which cases*** (i.e., APJs who will decide each case as the Director wishes) and by providing policy directives that APJs are obligated to follow.
>
> If the government's arguments are accurate, ***PTAB cases may have been decided based on factors outside of the evidentiary record and public legal authority*** (e.g., statutes, regulations, court precedents) available to the parties.[4]

In Congress's view, the "possibility" that the director has the power to decide cases based on such external factors "raises potential due process concerns" that "would be inconsistent with the intent of Congress in enacting the [American Invents Act]."[5] Accordingly, these members asked the Government Accountability Office (GAO)—which performs investigations and auditing on behalf of Congress—to review certain aspects of PTAB decisionmaking and panel selection as they relate to the director's involvement.[6]

The letter raises another question about the constitutionality of PTAB appointments. Assuming the Supreme Court finds APJs to be "inferior officers" as the government urges, this may raise a due process issue for future litigants to leverage. For example, if the GAO investigation determines that the director has influenced PTAB decisions based on factors outside the evidentiary record and legal authority (or is capable of doing so), that exercise of power would seemingly imply that PTAB decisions are, to a certain extent, subject to the director's arbitrary judgment.

Alternatively, the Supreme Court's consideration of whether to find APJs "inferior officers" in *Arthrex* could be influenced by the perceived likelihood of this due process issue: the Court may be hesitant to find the director has expansive control over APJs if doing so would erode the impartiality of the tribunal itself.

Assuming the Supreme Court does not first address this issue while deciding *Arthrex* this term, the GAO's investigation, if any, will likely shed light on whether these due process concerns are real or merely a theoretical concern. We will monitor and follow up on this issue as further developments are made.

[4] House Subcommittee on Courts, Intellectual Property, and the Internet, Letter at 1 (June 3, 2021) (emphasis added).

[5] *Id.* at 1-2.

[6] *Id*. at 2.

SUPREME COURT PRESERVES PTAB BUT REQUIRES USPTO DIRECTOR DISCRETIONARY REVIEW OF PTAB DECISIONS

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The US Supreme Court issued its highly anticipated decision on June 21 in *United States v. Arthrex, Inc.*, addressing whether the authority of administrative patent judges (APJs) of the Patent Trial and Appeal Board (PTAB) to issue decisions is consistent with the Appointments Clause of the Constitution. Although the majority held that the unreviewable authority of the APJs violates the Appointments Clause, it nonetheless remedied this violation and preserved the PTAB by giving the US Patent and Trademark Office (USPTO) Director the right to review PTAB decisions.

BACKGROUND

The *Arthrex* saga began on October 31, 2019 when the US Court of Appeals for the Federal Circuit held that the appointment of APJs to the PTAB violates the Appointments Clause, and is thus unconstitutional.[1] Despite this holding, the Federal Circuit declined to take the drastic step of invalidating the entirety of the Leahy-Smith America Invents Act (AIA).[2] Instead, it remedied the violation by invalidating the APJs tenure protections such that they could be removed at will by the Secretary of Commerce.[3] The Federal Circuit's decision led to over 100 PTAB decisions being vacated and remanded to the PTAB for further proceedings to be conducted before newly-designated APJ panels.

Following this decision, the *Arthrex* parties petitioned for rehearing *en banc*, which was ultimately denied on March 23, 2020.[4] Arthrex, Smith & Nephew, and the US government each filed separate petitions for writ of certiorari asking the Supreme Court to review the Federal Circuit's holdings in *Arthrex*. The Supreme Court granted certiorari for all three petitions on October 13, 2020 and consolidated the three cases.

[1] *Arthrex Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019).

[2] *Id.* at 1338-1340.

[3] *Id.*

[4] *Arthrex, Inc. v. Smith & Nephew, Inc.*, 953 F.3d 760, 761 (Fed. Cir. 2020).

SUPREME COURT'S MAJORITY OPINION

In his opinion, Chief Justice John Roberts first addressed the constitutionality of APJs under the Appointments Clause.[5] This portion of the opinion, which was joined by Justices Samuel Alito, Neil Gorsuch, Brett Kavanaugh, and Amy Coney Barrett, held that because of their unreviewable authority, the appointment of APJs violates the Appointments Clause.[6] In reaching this conclusion, the Supreme Court's opinion walks through the Appointments Clause and explains that "[o]nly the President, with the advice and consent of the Senate, can appoint noninferior officers, called 'principal' officers."[7] Congress, however, can dispense with joint appointments for inferior officers and can "vest the appointment of such officers 'in the President alone, in the Courts of Law, or in the Heads of Departments.'"[8]

With this framework, the Chief Justice's opinion analyzes whether APJs are properly categorized as inferior officers by looking at the Court's 1997 opinion in *Edmond v. United States*, 520 U.S. 651 (1997) as their starting point. The opinion holds that "[a]n inferior officer must be 'directed and supervised at some level by others who were appointed by Presidential nomination with the advice and consent of the Senate.'"[9] Because APJs "have the 'power to render a final decision on behalf of the United States' without any such review by their nominal superior or any other principal officer in the Executive Branch," the APJs are not inferior officers.[10] Thus, their appointment by the Secretary to an inferior office violates the Appointments Clause.[11]

The Chief Justice's opinion next addresses the appropriate way to resolve the violation of the Appointments Clause, concluding the appropriate remedy is empowering the Director to review decisions by APJs.[12] Although only four justices joined this portion of the opinion, Justices Stephen Breyer, Sonia Sotomayor, and Elena Kagan agreed with the remedial holding "[f]or purposes of determining a remedy."[13] Justice Clarence Thomas did not address remedy, and Justice Gorsuch dissented with respect to remedy and would have held the entire regime of inter partes review unconstitutional.[14]

In reaching this conclusion, the four-justice plurality explained that "Congress vested the Director with the 'powers and duties' of the PTO, 35 U.S.C. § 3(a)(1), tasked him with supervising APJs, § 3(a)(2)(A), and placed the PTAB 'in' the PTO, § 6(a)."[15] Thus, "[b]ecause Congress has vested the Director with the 'power and duties' of the PTO, § 3(a)(1), the Director has the authority to provide for a means of reviewing PTAB decisions. The Director accordingly may review final PTAB decisions and, upon review, may issue decisions himself on behalf of the Board."[16]

CONCLUSION

In sum, one majority held that although APJs' unreviewable authority violates the Appointments Clause, a different majority held that the proper remedy is providing the USPTO Director with the authority to review PTAB decisions. Importantly, the plurality emphasized that the Director has discretion in deciding whether to review PTAB decisions, stating:

> To be clear, the Director need **not review every decision** of the PTAB. What matters is that the Director have the discretion to review decisions rendered by APJs."[17]

Despite providing this remedy for discretionary Director review of PTAB Decisions, some questions remain as to its application in practice.

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[5] *United States v. Arthrex, Inc.*, No. 19-1434, 2021 WL 2519433 (U.S. June 21, 2021).

[6] *Id.*, at *11.

[7] *Id.*, at *6.

[8] *Id.*

[9] *Id.*

[10] *Id.*, at *7-11.

[11] *Id.*, at *11.

[12] *Id.*, at *12.

[13] *Id.*, at *21.

[14] *Id.*, at *13-18.

[15] *Id.*, at *12 (plurality opinion).

[16] *Id.*

[17] *Id.*, at *13 (plurality opinion) (emphasis added).

First, questions remain as to the procedures for Director review of PTAB decisions, as well as what this review process will entail. The USPTO will need to issue guidance on these new procedures.

Second, the PTAB has a Precedential Opinion Panel (POP) in place that operates at the discretion of the Director to decide issues of exceptional importance to the PTAB. It remains unclear how this POP will operate given the new Director review policies.

Third, following the Federal Circuit's *Arthrex* decision, a number of cases were remanded and remain backlogged with the PTAB. Because the justices noted that Arthrex was not entitled to a hearing before a new panel of APJs,[18] it remains unclear how the PTAB will handle the backlog of cases.

Fourth, the majority opinion notes, the review of the APJs decisions "must at some level be subject to the direction and supervision of an officer nominated by the President and confirmed by the Senate."[19] However, at present time, the current acting Director of the USPTO has not yet been confirmed by the Senate. Thus, it remains unclear if he has the authority to begin discretionary review of PTAB decisions.

We will continue monitoring the evolving effects of this decision.

[18] *Id.*

[19] *Id.*

FEDERAL CIRCUIT NARROWS SCOPE OF PRIOR ART AVAILABLE FOR DESIGN PATENTS

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The US Court of Appeals for the Federal Circuit's recent decision on an appeal from the Patent Trial and Appeal Board to limit prior art for design patent applications to only analogous fields may make it easier for applicants to obtain design patents and more difficult for challengers to invalidate them.

The Federal Circuit's decision in *In re SurgiSil LLP*[1] found that the claim language specifying a particular article of manufacture limited the scope of the design patent—and the prior art that can be used to anticipate it.

SurgiSil's design patent application, US Patent Application No. 29/491,550 titled "Lip Implant," claims an "ornamental design for a lip implant as shown and described." The US Patent and Trademark Office (USPTO) examiner rejected the claim as anticipated by a catalog disclosing a Dick Blick art tool used to smooth and blend areas of pastel or charcoal drawings.

Claimed "Lip Implant"

Dick Blick's Art Tool

The Patent Trial and Appeal Board affirmed the rejection, finding that the differences in shape between the claimed design and Dick Blick Art Tool were minor and explained that for anticipation purposes, "it is appropriate to ignore the identification of the article of manufacture in the claim language." Further, although these might not be analogous art, "whether a reference is analogous art is irrelevant to whether that reference anticipates."[2]

On appeal, the Federal Circuit reversed and held that SurgiSil's claim language limited its invention to a design for "lip implants." As such, prior art directed to drawing stumps and pencils do not anticipate a claim to a lip implant.[3]

[1] No. 2020-1940 (Fed. Cir. October 4, 2021)

[2] *Id*, slip op. at 2.

[3] *Id*, slip op. at 3.

The holding extends the Court's 2019 decision in *Curver Luxembourg, SARL v. Home Expressions Inc.*[4] which held that claim language specifying a particular article of manufacture limited the enforceable scope of the design patent. In *Curver*, which was discussed in a prior LawFlash, the Federal Circuit found that a design patent for a "Pattern for a Chair" was not infringed by a basket having a similar pattern, reasoning that baskets and chairs are not found in analogous art fields. The holding of *In re SurgiSil* therefore closes the loop following *Curver* and confirms that in order to properly anticipate a design claim, the prior art needs to come from an analogous art field.[5]

In view of this decision, while narrower titles may help the USPTO with properly classifying designs and for examiners to focus their searching, narrowing the pool of prior art will likely generally make it more difficult for an examiner or patent challenger to find anticipatory prior art for a design patent claim. For applicants, this decision will likely make obtaining design patent protection easier, particularly for minimalist and partial designs that previously would have been rejected using non-analogous prior art references. To maximize patent coverage for a design that could extend to different art areas, applicants may want to carefully consider the appropriate title, file multiple concurrent design applications having different titles, or provide support in the application to allow for claim amendments or continuation filings directed to different types of articles.

[4] 938 F.3d 1334 (Fed. Cir. 2019).

[5] It should be noted that the three judge panels in both *In re SurgiSil* and *Curver* were unanimous and comprised of completely different judges, making an en banc Federal Circuit challenge to this decision unlikely.

PTAB EMPHASIZES EXPERT AVAILABILITY AND CLARIFIES *FINTIV* INQUIRY FOR PRIOR DISTRICT COURT CASES

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The US Patent Trial and Appeal Board on December 23, 2021, instituted an inter partes review even though an unrelated party had already unsuccessfully challenged the validity of the patent in district court. In the decision granting institution, the board found unpersuasive arguments that the case should be discretionarily denied based on declarations of experts who were not presently engaged in the proceeding and a prior unsuccessful invalidity challenge in the other litigation.

DECLARATIONS OF UNAVAILABLE EXPERTS ARE SUBJECT TO CHALLENGE ON HEARSAY GROUNDS

In *OpenSky Industries v. VLSI Technology*, IPR2021-01064, Paper 17 (Dec. 23, 2021), the patent owner, VLSI Technology, argued that petitioner OpenSky Industries relied on expert declarations filed in another inter partes review (IPR) proceeding, making those declarations hearsay for this proceeding if the de clarants could not be available for cross-examination. The patent owner argued that the petitioner would be unable to make available for deposition at least one of the declarants because of an asserted exclusive agreement between the declarant and another party, Patent Quality Assurance (PQA), that forbid the declarant from working for the petitioner. However, the Patent Trial and Appeal Board (PTAB) observed that PQA had since corrected the statement, noting that it had "erroneously claimed exclusivity with [the declarant]."

The board questioned why the petitioner failed to seek the cooperation of the other expert before submitting the declaration. It also noted that an exclusive agreement between an expert and PQA did support discretionary denial in another case between the two parties, *OpenSky Industries v. VLSI Technology*, IPR2021-01056, but reached a "different decision based on different facts" in this case. In the other case, there was an exclusive agreement between PQA and a different expert that would have effectively precluded cross-examination. The board denied institution in that case, acknowledging that "expert testimony is not necessary in every case," but noting the petition's reliance on the expert testimony and that the petitioner "has not explained why such support is unnecessary."

VALIDITY CHALLENGE IN PRIOR DISTRICT COURT LITIGATION NOT NECESSARILY SUFFICIENT FOR DISCRETIONARY DENIAL UNDER *FINTIV*

The factors set out in *Apple v. Fintiv*, IPR2020-00019, Paper 11 (Mar. 20, 2020) (precedential), are criteria that PTAB has used to evaluate whether to deny institution based on parallel litigation involving the challenged claims of a patent. In *OpenSky Industries*, the patent owner argued that the board should deny institution of the IPR based on the Fintiv factors. In particular, it contended that because a jury had determined in another IPR involving an unrelated defendant that the claims were valid, that the IPR should be denied pursuant to the *Fintiv* factors.

The board noted that (1) the "only invalidity basis presented to the jury does not overlap with the grounds" of the current IPR, and (2) the petitioner was not a party in the other litigation. It emphasized *Fintiv*'s language that the PTAB generally disfavors discretionary denial when the litigation does not involve the petitioner, unless the "issues are the same as, or substantially similar to those already or about to be litigated, or other circumstances weigh against redoing the work of another tribunal" (*Fintiv*, IPR2020-00019, Paper 11, 13-14).

The board explained that because the *VLSI Technology* matter did not resolve the issues presented in this IPR, that there was no chance of an inconsistent outcome, and, therefore, the board would not be "redoing the work of another tribunal." The board also rejected the patent owner's argument that the other litigation parties and the district court "invested enormous amounts of time and money litigating validity and infringement issues relating to the '759 patent" (Prelim. Resp. 17). Notably, the board disagreed with the notion that "prevailing in litigation against one party should insulate a patent owner from challenge by a different party based on grounds that were not resolved in the litigation."

KEY CONSIDERATIONS IN IPR PROCESS

This PTAB decision highlights two key considerations in the IPR process: (1) to avoid a hearsay challenge, petitioners should ensure that they engage any experts in their case if they intend to rely on those experts' declaration(s) from other cases; and (2) patent owners should carefully consider whether sufficient similarity exists between the parties or the grounds before arguing that the *Fintiv* factors support a discretionary denial.

USPTO INTRODUCES PILOT PROGRAM TO DEFER RESPONSE TO SUBJECT MATTER ELIGIBILITY REJECTIONS

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The US Patent and Trademark Office is implementing a pilot program to allow participating applicants to defer responding to subject matter eligibility rejections until the earlier of a final disposition of the application, or a withdrawal or obviation of all other outstanding rejections.

Under the Deferred Subject Matter Eligibility Response Pilot program (the Pilot), certain applicants that have received a rejection on subject matter eligibility (SME) and other patentability-related rejections, may receive invitations to participate in the Pilot. Applicants who accept the invitation may defer responding to the SME rejections until all other issues have been resolved. Some reasons for accepting (or not accepting) such an invitation are discussed below.

By introducing this Pilot, the US Patent and Trademark Office (USPTO) is ostensibly seeking to evaluate whether deferred application responses to SME rejections affect examination efficiency and patent quality. The rationale is that satisfying non-SME conditions for patentability may resolve the SME issues.

STRUCTURE OF THE PROGRAM

An application must meet all of the following criteria to be eligible for the Pilot[1]:

1. The application is **assigned to a participating examiner**. (While the Pilot is open to all primary examiners, examiner participation is not mandatory.)
2. The application is an **original nonprovisional utility application or a national stage application**. Continuation and divisional application, as well as applications with special status (e.g., fast track examination) are not eligible for the Pilot.
3. The **first Office Action includes both SME and non-SME rejections**.

For the purposes of the Pilot, an SME rejection is a rejection under 35 USC § 101 that includes, under the USPTO's patent eligibility guidelines, **both step 1 rejections**, where the claim as a whole does not fall within a statutory category, **and step 2B rejections**, where the claim as a whole is directed to a judicial exception without also including additional limitations amounting to significantly more than the exception.

[1] 87 Fed. Reg. 776-780 (January 6, 2022).

Under the provisions of the Pilot, participating examiners may invite an applicant of an eligible application to participate in the Pilot. If an applicant wishes to participate in the Pilot, a timely response must be accompanied by a duly completed request form. Failure to file the form will exclude the application from the Pilot. Additionally, once entered into the Pilot, there is no provision to withdraw from the Pilot.

While the Pilot allows a participating applicant to defer responding to the SME rejections in certain circumstances, not availing such benefit and voluntarily responding to such rejections does not withdraw or remove the application from the Pilot.

The Notice indicates that any comments relating to this Pilot must be received by March 7, 2022 to ensure consideration. The Pilot will run from February 1, 2022 through July 30, 2022.

PROSECUTION OF PARTICIPATING APPLICATIONS

Applicants electing to participate in the Pilot must file a reply to every Office Action mailed in the participating applications. Participation in the Pilot, however, provides a limited waiver permitting the applicants to defer presenting arguments, evidence, or amendments in response to the SME rejection(s) until the earlier of final disposition of the participating application or the withdrawal or obviation of all other outstanding rejections. The limited waiver terminates upon the mailing of a second or subsequent non-final Office Action containing only the SME rejection(s) because the applicant has overcome or the examiner has withdrawn all the non-SME rejections.

As an example, under the Pilot, if an Office Action includes a step 1 SME rejection, a step 2B SME rejection, and a prior art rejection, the applicant may: (1) respond only to the prior art rejection; (2) respond to the prior art rejection and one of the SME rejections; or (3) respond to all three rejections, for the response to be considered a bona fide response.

The examiner, in turn, is required to consider whether the applicant's responses to the non-SME rejections overcome the SME rejection(s) of record. Further, if the examiner deems that the applicant's responses—despite the deferral of a response to the SME rejection(s)—overcomes all rejections, the examiner must issue a Notice of Allowance, and include the reasons for allowance as needed. On the other hand, if the examiner deems that the responses do not overcome all outstanding rejections, and issues a final Office Action, the limited waiver under the Pilot is terminated.

It should be noted that because the issuance of a final Office Action is considered a final disposition resulting in termination of the limited waiver under the Pilot, there are no changes to after-final practice under this Pilot.

PRACTICE TIPS

Overcoming prior art (i.e., non-SME) rejections may obviate, or render moot, Step 2B SME rejections, as if the invention is found to be novel and non-obvious it may overcome the "substantially more" requirement of Step 2B analysis of a 101 rejection. In such instances, it is worthwhile, in terms of time and cost efficiency, to use the Pilot program to first focus arguments on overcoming the prior art rejections. Such a situation may occur when, for example, the SME rejection focuses solely on the conventionality or routineness of the additional elements, and the arguments against the prior art rejections make it plain that the additional elements are novel and non-obvious.

The MPEP clarifies that the Step 2A of the SME analysis "specifically excludes consideration of whether the additional elements represent well-understood, routine, conventional activity... Additional elements that represent well-understood, routine, conventional activity may integrate a recited judicial exception into a practical application."[2] Thus, the specific exclusion of applications with Step 2A (but not Step 2B) rejections from this Pilot program appears to indicate a belief on part of the PTO that overcoming prior art rejections would logically result in the conclusion that the inventive concept in the claim is, in fact, not conventional and amounts to more than what is disclosed in the prior art.

Consequently, in situations where an applicant believes that Step 2B SME rejections are improper because the examiner improperly deems inventive concept as being conventional or as not amounting to significantly more, the applicant may want to focus their efforts on overcoming prior art rejections and in the process render the Step 2B SME rejections moot.

[2] MPEP 2106.04(d)(I)

In addition, if all the non-SME issues are resolved during prosecution, and only SME rejections—in particular Step 2B rejections—are maintained, practitioners may decide to appeal only the SME question, thereby simplifying the appeal process.

Moreover, many practitioners, at least anecdotally, appear to already be focusing on overcoming prior art rejections, as overcoming all prior art rejections may soften examiners' stance on the SME issues.

In summary, while practitioners will have to decide whether it is worthwhile accepting an invitation to participate in the Pilot on a case-by-case basis, claims where it is relatively easier to argue that the additional elements are not conventional or routine may be better suited for this Pilot.

PTAB ISSUES DECISION AWARDING PRIORITY OF INVENTION OF CRISPR GENE EDITING PATENTS TO BROAD INSTITUTE

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The Patent Trial and Appeal Board issued a decision on February 28 awarding priority of invention of foundational CRISPR gene editing patents to the Broad Institute, Massachusetts Institute of Technology, and Harvard University. Pending an expected appeal, the decision ends a long-running dispute between the institutions and competing claims to the technology by UC Berkeley, the University of Vienna, and Emmanuelle Charpentier.

As a consequence of the decision, Broad Institute, Massachusetts Institute of Technology, and Harvard University (collectively, Broad)[1] control foundation patents claiming applications of CRISPR in eukaryotes (contingent on ongoing interference proceedings over the same patents involving Toolgen Inc. and Sigma).

INTERFERENCE NO. 106,048 (BROAD/CVC I)

The dispute between UC Berkeley, the University of Vienna, and Emmanuelle Charpentier (collectively, CVC) and Broad originated in an earlier interference, No. 106,048 ('048 interference or Broad/CVC I), which involved claims from CVC's first non-provisional application directed to the CRISPR technology, and 12 issued patents and one pending application owned by Broad.[2] The CVC patent had an earlier filing date (March 15, 2013) and claimed priority to an earlier filed provisional application (May 25, 2012) than Broad's patents and application (filed October 15, 2013, claiming earliest priority to December 12, 2012). However, because Broad filed requests for accelerated examination, the Broad patents issued while the CVC application was still undergoing examination.

During the preliminary motions phase of the '048 interference, Broad filed a threshold motion requesting that the Patent Trial and Appeal Board (PTAB) declare no interference-in-fact between the involved claims.[3] Briefly, Broad argued that CVC's claims—which did not recite a specific cellular environment—did not anticipate or render obvious the claims of

[1] Interference No. 106,115, paper 2863, Decision on Priority under 37 CFR 41.125(a); paper 2864, Judgment under 37 CFR 41.127.

[2] *See*, e.g., Interference No. 106,048, paper 1, Declaration under 37 C.F.R. 41.203(b).

[3] Interference No. 106,048, paper 77, Broad et al. Substantive Motion 2 (for judgment of no interference-in-fact).

Broad's patents and application, which expressly require eukaryotic cells. In a Decision on Motions issued on February 15, 2017, the PTAB agreed with Broad, finding that there was no reasonable expectation of successfully practicing the claims of the CVC application in eukaryotic cells.[4] In reaching this holding, the PTAB relied heavily on contemporaneous statements by the CVC inventors—and its own experts in the interference—expressing uncertainty about the viability of the CRISPR technology in eukaryotes, and in particular its therapeutic promise in humans.[5] The PTAB determination of no interference-in-fact was subsequently upheld on appeal to the Federal Circuit.[6]

However, despite this early setback for CVC, the PTAB's holding in Broad/CVC I was only narrowly applicable to the claims at issue in that proceeding. In particular, the PTAB did not opine on whether the CVC applications described and enabled claims to use of CRISPR in eukaryotes, nor did the interference reach a priority phase to evaluate evidence of conception, diligence, and reduction to practice of such a claim.

INTERFERENCE NO. 106,115 (BROAD/CVC II)

Between April 2018 and February 2019, following the ruling in the '048 interference, CVC filed a series of 14 continuation applications with claims that expressly recited eukaryotic applications of CRISPR technology. Those applications claimed priority to both the original non-provisional filing at issue in Broad/CVC I, and the series of provisional applications dating back to May 25, 2012. The USPTO declared a new interference, No. 106,115 (the '115 interference, or Broad/CVC II) between these newly filed CVC applications, and the same set of Broad patents and application at issue in Broad/CVC I (with one additional Broad patent).[7]

Preliminary Motions Practice

A variety of motions were briefed and considered by the PTAB during the preliminary motions phase of Broad/CVC II. In contrast to Broad/CVC I, Broad did not dispute the existence of an interference-in-fact between the involved claims during the preliminary motions phase of Broad/CVC II. Broad instead argued (unsuccessfully) that estoppel precluded a new interference with the same claims—and therefore the same subject matter—at issue in Broad/CVC I. The PTAB disagreed, finding, among other things, that whether the claims at issue in Broad/CVC II recited different subject matter than those in Broad/CVC I was one of the very questions in dispute.[8]

One other notable finding from the preliminary motions phase of Broad/CVC II relates to the priority benefit accorded the involved CVC applications. CVC filed a preliminary motion requesting that the PTAB award priority of its involved claims to the first provisional, filed on May 25, 2012, and pointing to in vitro experimental results reported in that application—and descriptions of eukaryotic target cells in the specification—to show possession and enablement of the involved claims.[9]

In its Decision on Motions, the PTAB refused to award priority to the first application, invoking the Supreme Court and Federal Circuit admonition that "[p]atents are not awarded for academic theories, no matter how groundbreaking or necessary to the later patentable invention of others..."[10] Relying heavily on expert testimony presented by Broad, the PTAB held that "absent results of a successful working example" and/or other description of the requirements for CRISPR function in eukaryotes, the first filed provisional failed to show possession of an embodiment of the count.[11] Thus, the PTAB awarded priority benefit to CVC's third provisional, filed January 28, 2013, where an example using CRISPR in human cells was presented. Notably, CVC's third provisional was filed after Broad's first provisional filing date of December 12, 2012, meaning that Broad retained the status of Senior Party in the interference and the accompanying presumption of priority. Further, this ruling precluded CVC's reliance on the May 28, 2012, filing date as its first constructive reduction to practice of an embodiment corresponding to the count.

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[4] Interference No. 106,048, paper 893, Decision on Motions under 37 CFR 41.125(a), at p. 22.

[5] *Id.*

[6] *Regents of Univ. of California v. Broad Inst., Inc.*, 903 F.3d 1286 (Fed. Cir. 2018).

[7] Interference No. 106,115, paper 1, Declaration under 37 C.F.R. 41.203(b).

[8] Interference No. 106,115, paper 877, Decision on Motions under 37 CFR 41.125(a), at p. 5

[9] *See*, e.g., Interference No. 106,115, paper 212, CVC Substantive Motion 1.

[10] Interference No. 106,115, paper 877, Decision on Motions under 37 CFR 41.125(a), at p. 90 (citing *University of Rochester v. G.D. Searle & Co., Inc.*, 358 F.3d 930, n.10 (Fed. Cir. 2004), quoting Brenner v. Manson, 383 U.S. 519, 536, (1966).

[11] *Id.* at p. 102.

Priority Phase

Because there was no dispute regarding an interference-in-fact and Broad's estoppel motion was denied, the '115 interference moved into the priority phase to resolve the ultimate question of inventorship. The parties extensively briefed and presented evidence of their respective conception and reduction to practice of an embodiment corresponding to the count.

CVC asserted a conception date of March 1, 2012, and actual reduction to practice on August 9, 2012, both falling before Broad's accorded benefit to its December 12, 2012, provisional filing.[12] Broad countered with its own evidence of conception and reduction to practice as early as June 26, 2012, and various subsequent dates of asserted actual reduction to practice, including on October 5, 2012, the date the PTAB focused on in its decision on priority.[13]

In awarding Broad priority of invention, the PTAB found that CVC's evidence of conception and reduction to practice showed uncertainty on the part of the inventors about the meaning or significance of the experimental results they obtained.[14] That evidence consists of experiments spanning March to August of 2012, and more significantly correspondence regarding those experiments, that the PTAB concluded show insufficient certainty about the interpretation of the experimental results.

In view of this uncertainty, the PTAB further found that CVC's ongoing efforts to understand and refine its experiments undermined the requisite definite and permanent idea required for their asserted conception in March of that year.[15] Notably, the PTAB emphasized that it was not basing its decision on lack of a reasonable expectation of success, but rather on what it considered "multiple experimental failures before [CVC] recognized any success, even as late as mid-October 2012" amounting to evidence showing that CVC "did not have a definite and permanent idea of how to achieve [the desired] result . . . because of their perception of these multiple failures."[16]

In contrast, the PTAB concluded that Broad established actual reduction to practice as of at least October 12, 2012.[17] In particular, the PTAB credited Broad's evidence of reduction to practice consisting of a completed manuscript submitted on that date—before any evidence that the PTAB considered showed the required certainty to support conception or actual reduction to practice by CVC—reporting work done as early as July 2012. The PTAB concluded that the manuscript showed that the inventors recognized their completed reduction to practice, and that reviewer comments on the manuscript corroborated that recognition, by at least that date.

FUTURE PERSPECTIVES & TAKEAWAYS

Pending an appeal, the PTAB decision in Broad/CVC II awards substantial control over the CRISPR patent landscape to Broad. Further, it ends prosecution of the involved CVC patents, and forecloses CVC's pursuit of patentably indistinct claims to eukaryotic applications of the technology.

Notably, CVC holds patents issuing from its earliest application at issue in Broad/CVC I, and subsequently filed applications claiming priority to the same provisional that were not at issue in either proceeding. Those patents do not require any specific context (eukaryotic, prokaryotic, in vitro) or application of the CRISPR technology.[18]

More significantly, both Toolgen Inc. (Interference No. 106,126) and Sigma-Aldrich (Interference No. 106,133) have pending claims that the USPTO has declared interfere with the same Broad patents and application at issue in Broad/CVC II. Further, each of Toolgen and Sigma-Aldrich are senior parties in their respective interferences, though their earliest provisional filing dates post-date the actual reduction to practice recognized by the PTAB in Broad/CVC II. Accordingly, Morgan Lewis will closely watch how the parties to those proceedings react in view of the February 28 PTAB ruling.

[12] *See*, e.g., Interference No. 106,115, paper 1579, CVC Substantive Motion 2, pp. 7, 22.

[13] *See*, Interference No. 106,115, paper 2118, Broad Motion 5, pp. 12, 20.

[14] Interference No. 106,115, paper 2863, Decision on Priority, at pp. 42, 49.

[15] *Id.* at p. 46

[16] *Id.*

[17] *Id.*, p. 64.

[18] *See*, e.g., U.S. Patent Nos. 10,266,850 (method of cleaving a nucleic acid); 10,301,651 (method of modulating transcription from a target DNA molecule), and. 10,113,167 (non-naturally occurring DNA-targeting RNA, or a nucleic acid encoding the non-naturally occurring DNA-targeting RNA).

FEDERAL CIRCUIT: PTO DIRECTOR DECISIONS VACATING EX PARTE REEXAMINATION FOR ESTOPPEL SUBJECT TO JUDICIAL REVIEW

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In *Alarm.com Inc. v. Hirshfeld*, the US Court of Appeals for the Federal Circuit ruled that decisions by the US Patent and Trademark Office Director vacating ex parte reexamination based on estoppel may be subject to judicial review under the Administrative Procedure Act.

BACKGROUND

In 2015, Alarm.com filed a series of petitions seeking inter partes review (IPRs) of claims in patents owned by Vivint Inc.[1] The Patent Trial and Appeal Board issued three final written decisions on the IPRs, determining that Alarm.com had not carried its burden of proving the challenged claims unpatentable.[2]

Then, in 2020, Alarm.com filed three requests for ex parte reexamination of those same claims but on different grounds than those presented in the IPRs.[3] Thereafter, the Patent Owner filed petitions to terminate the reexamination proceedings.[4] Although the US Patent and Trademark Office (PTO) initially assigned control numbers and filing dates to the requested reexamination proceedings, the Director issued three decisions, dismissing (and expunging) the patent owner's petitions as moot[5] and vacating the ex parte reexamination requests.[6]

Focusing on the 37 CFR § 1.510(b)(6) requirement that the requester certify that "the statutory estoppel provisions of 35 U.S.C. [§] 315(e)(1)...do not prohibit the requester from filing the ex parte reexamination request,"[7] the Director found that Alarm.com reasonably could have raised its reexamination grounds in the IPRs, and, as such, was estopped under § 315(e)(1) from submitting its ex parte reexamination requests.[8]

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[1] *Alarm.com Inc. v. Hirshfeld*, No. 21-2102, slip op. at 2, 4-5 (Fed. Cir. Feb. 24, 2022).

[2] *Id.* at 2, 5. Alarm.com had previously appealed the Board's determinations, and the Federal Circuit affirmed. Id. at 5.

[3] *Id.* Although the requests for ex parte reexamination presented different grounds than in the IPRs, certain references identified in the requests were raised in the IPRs or submitted as exhibits accompanying the IPR petitions. *See* Decision *Sua Sponte Vacating Ex Parte* Reexamination Request Filing Date and Dismissing Petition as Moot for U.S. Patent No. 6,147,601 at 11-16 (June 4, 2020).

[4] *See* Decision *Sua Sponte Vacating Ex Parte* Reexamination Request Filing Date and Dismissing Petition as Moot for U.S. Patent No. 6,147,601 at 1-2 (June 4, 2020)

[5] *Id.* at 2.

[6] *Alarm.com Inc.*, slip op. at 5.

[7] *Id.* at 5-6.

[8] *Id.* at 6.

In each of the decisions, the Director issued a "Clarification of General Policy and Practice" for applying § 315(e)(1)'s estoppel precondition that a particular ground of unpatentability asserted against a particular claim be one that was "raised or reasonably could have [been] raised" in the prior IPR involving the same claim and the reexamination requester was the IPR petitioner or a real party in interest or privy of the IPR petitioner.[9]

In response to the Director's decisions, Alarm.com filed a complaint in the US District Court for the Eastern District of Virginia against the Director and the PTO.[10] Alarm.com brought its claims pursuant to § 702 of the Administrative Procedure Act (APA), which provides that "[a] person suffering legal wrong because of agency action, or adversely affected or aggrieved by agency action within the meaning of a relevant statute, is entitled to judicial review thereof."[11] According to Alarm.com's complaint, the Director's decisions vacating the ex parte reexamination proceedings were final agency actions that should be set aside as "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with the law" and "in excess of statutory jurisdiction, authority, or limitations, or short of statutory right."[12]

Thereafter, on the government's motion, the district court dismissed Alarm.com's suit because review of Alarm.com's challenge to the vacatur decision based on estoppel was precluded.[13] Specifically, Alarm.com's challenge to the Director's decision fell within the exception to APA review when "statutes preclude judicial review."[14]

DECISION ON APPEAL

The Federal Circuit reversed, determining that "Alarm.com's APA challenge to the Director's vacatur decisions based on estoppel is not precluded" where "[t]he text, statutory scheme, and legislative history pertaining to ex parte reexamination do not evince a fairly discernable intent to preclude judicial review of these decisions."[15]

Beginning with the "'strong presumption' in favor of judicial review," the Federal Circuit looked for "clear and convincing indications, drawn from specific legislative history, and inferences of intent drawn from the statutory scheme as a whole, that Congress intended to bar review."[16]

The Text

The Federal Circuit explained that "[t]he only portion of the ex parte reexamination statutory scheme that expressly precludes judicial review is § 303(c)," which states that "[a] determination by the Director pursuant to subsection (a) of this section that no substantial new question of patentability has been raised will be final and nonappealable."[17] But, as the Federal Circuit noted, "the preclusion established by that text is narrowly defined."[18] And the government agreed that "section 303(c)…concededly does not expressly bar Alarm.com's challenge."[19]

Statutory Design

The Federal Circuit rejected the government's argument that the ex parte reexamination statutory design provides clear and convincing evidence that Congress intended to preclude judicial review of determinations not otherwise expressly barred by § 303(c).[20] The government's argument focused on § 306, which states, "[t]he patent owner involved in a reexamination proceeding… may appeal under the provisions of section 134, and may seek court review under the provisions of sections 141 to 144, with respect to any decision adverse to the patentability of any original or proposed amended or new claim of the patent."[21]

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[9] *Id.*

[10] *Id.*

[11] 5 U.S.C. § 702.

[12] Id. at §§ 706(2)(A), (C).

[13] *Alarm.com Inc.*, slip op. at 7.

[14] 5 U.S.C. § 701(a)(1).

[15] *Alarm.com Inc.*, slip op. at 9.

[16] *Id.* (citing *Cuozzo Speed Techs. LLC v. Lee*, 579 U.S. 261, 273 (2016).

[17] *Id.* at 10 (quoting 35 U.S.C. § 303(c)).

[18] *Id.*

[19] *Id.* (quoting Gov't Br. at 39).

[20] *Id.* at 13, 19.

[21] 35 U.S.C. § 306.

But, according to the court, the affirmative grant in § 306 and its associated provisions of a patent owner's right to review "a different decision"—i.e., a decision adverse to patentability in an ordered reexamination proceeding—"is insufficient to overcome the presumption of reviewability as a matter of recognized principle and precedent" for other proceedings like the one at issue in this appeal.[22]

Legislative History

The Federal Circuit acknowledged that "the government's strongest evidence" of an intent to preclude judicial review in the legislative history is a statement from a report by the Judiciary Committee of the House of Representatives, which states, in pertinent part: "Subsection 303(c) makes final and nonappealable a decision by the Commissioner not to conduct reexamination," and "[a] party to reexamination proceeding could still argue in any subsequent litigation that the PTO erred and that the patent is invalid on the basis of the cited prior art."[23] But the court explained that "there is no reason to infer that the Committee in 1980 was referring to anything other than the ex parte reexamination scheme it was adopting at the time."[24] Specifically, that scheme "provided for PTO determination of whether a substantial new question of patentability was presented, but the estoppel and multiplicity provisions that now apply, see §§ 315(e)(1), 325(d), (e)(1), were added to the statute only well after the 1980 enactment."[25] Moreover, when Congress enacted the AIA in 2011, "it chose to make no substantive modifications to § 303(c)" while modestly modifying other portions of the statutory design.[26] Thus, the court concluded that the legislative history evidence "is too weak to supplant the text and accompanying presumption of judicial review."[27]

Based on this review of the text, statutory design, and legislative history, the Federal Circuit "reversed the district court's determination that Alarm.com's 5 U.S.C. §§ 706(2)(A), (C) claims challenging the Director's decisions to vacate the ex parte reexamination proceedings are precluded" and remanded for further proceedings.[28]

CONCLUSION

Future patent owners must remain cognizant of this decision if they successfully argue a patent challenger is estopped under § 315(e)(1) from submitting a reexam request because the challenger reasonably could have raised its grounds in a prior IPR. Following this decision, judicial review will be available to the challenger under the APA. Simultaneously, patent challengers will want to keep the APA standards in mind when determining whether to challenge a decision to vacate ex parte reexam proceedings as estopped under § 315(e)(1). Finally, this decision provides guidance to practitioners on the types of statutory interpretation arguments likely to succeed for post-grant proceedings before the Federal Circuit.

[22] *Alarm.com Inc.*, slip op. at 13.

[23] *Id.*at 20 (quoting H.R. Rep. No. 96-1307, pt. 1, at 7 (1980), *as reprinted in* 1980 U.S.C.C.A.N. 6460, 6466).

[24] *Id.* at 21.

[25] *Id.*

[26] *Id.*

[27] *Id.* at 22.

[28] *Id.* at 23.

DRAFTKINGS PERSUADES PTAB TO INVALIDATE COMPETITOR'S MOBILE GAMBLING PATENT

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The Patent Trial and Appeal Board found in a recent inter partes review—*DraftKings Inc. v. Interactive Games LLC*—that DraftKings' proposed combination of prior art would have been obvious when Interactive Games' mobile gambling patent was filed, and was therefore unpatentable. The outcome of this case demonstrates the ineffectuality of arguing that there is no motivation to modify the primary reference because it works as is, as well as the importance of understanding whether an invention feature is truly necessary and whether removal of such would render the invention inoperable for its intended purpose.

BACKGROUND

Interactive Games is the owner of US Patent No. 9,430,901 ('901 patent), for a mobile and wireless gaming system that allows a user to engage in gaming activities from remote locations, and incorporates software that uses a wireless network to ensure that the user is located in an area where gambling (e.g., sports betting) is legal.[1]

Interactive brought suit in the US District Court for the District of Delaware against DraftKings Inc., a sports contest and betting company, for allegedly infringing the '901 patent. DraftKings filed a petition requesting inter partes review of the '901 patent.

CASE BEFORE THE PATENT TRIAL AND APPEAL BOARD

DraftKings' IPR petition relied on two prior art references. The primary reference, Wells (US Patent Publication No. 2003/0064805 A1), relates to a wireless gaming device that is limited to use within certain areas of a casino by using GPS location. The goal of Wells is to ensure compliance with gambling regulations while allowing gameplay beyond the casino floor.[2] The secondary reference, Bahl (US Patent No. 6,799,047 B1), relates to locating and tracking wireless network users using a wireless local area network (WLAN), and specifically teaches that GPS has limited functionality in indoor environments due to the view of the GPS satellites being obstructed.[3]

[1] Interactive Games LLC, IPR2020-01107, at 3 (PTAB Jan. 4, 2022).

[2] *Id.* at 27.

[3] *Id.* at 30.

DraftKings argued that (1) a combination of the references teaches the elements of Interactive's claims, (2) Wells discloses wagering activity based on GPS location, (3) Bahl discloses improved determinations of location through the use of a wireless network,[4] and (4) the proposed combination is a simple substitution of using a WLAN instead of GPS.[5] DraftKings further contended that Bahl expressly taught advancements of WLAN location verification systems, with specific advantages over Wells' GPS.[6]

Instead of contesting DraftKings' assertion that all elements of the claims were found in the prior art, Interactive focused on the existing system of Wells as being "adequate" for its intended function of determining whether a device is located in a casino.[7] It argued that there would be no motivation to modify Wells to include the teachings of Bahl, as Wells already adequately determines location,[8] and that, as tracking lost or stolen devices with GPS was an important objective of the invention, the proposed substitution of a WLAN system would improperly eliminate necessary functionality.[9]

The Patent Trial and Appeal Board (PTAB), however, was not persuaded, and found that "[t]he purported 'adequacy' of Wells does not negate the obviousness of improvements from the perspective of the person of ordinary skill in the art at the time of the invention."[10] The PTAB explained that DraftKings' proposed combination of art would be obvious to improve the accuracy and reliability of Wells' existing system to improve the stated goal of regulatory compliance, particularly in light of Bahl's teaching of the advantages of a WLAN location determination system over GPS technology when used indoors.[11]

The PTAB further rejected Interactive's arguments claiming that GPS tracking of stolen or lost devices was necessary.[12] Wells' discussion around stolen devices leaving the casino was focused on the use of radio frequency (RF) capacity theft prevention devices, not GPS location.[13] The PTAB held that this feature *may* happen, and that eliminating the ability to track stolen devices beyond the range of a WLAN system does not render Wells inoperable and would not deter a person having ordinary skill in the art from making the proposed combination.[14]

TAKEAWAYS

This case highlights that arguing that there is no motivation to modify the primary reference because it works adequately (or even very well) as is, seldom—if ever—works. This case also demonstrates the importance of considering and understanding whether a proposed combination of art would render the primary reference inoperable before arguing that a modified feature is a necessary object of the reference. Interactive based its arguments on the use of GPS to track stolen devices, which the PTAB held was not necessary, as it may or may not be used for that purpose. Indeed, Wells suggested that while GPS could be used to track devices leaving the casino, RF devices could be a useful alternative.

When crafting arguments against a proposed modification, it is essential to understand and consider the intended purpose of the invention, which in this case was to ensure compliance with gambling regulations while allowing gameplay beyond the casino floor.

[4] *Id.* at 36.

[5] *Id.*

[6] *Id.* at 36–37.

[7] *Id.* at 38.

[8] *Id.* at 38.

[9] *Id.* at 40 (citing *General Elec. Co. v. United Techs. Corp.*, IPR2016-00531, Paper 42, slip op., 15 (June 26, 2017); *Microsoft Corp. v. Koninklijke Philips N.V.*, IPR2018-00185, Paper 7, slip op., 12 (May 22, 2018)).

[10] *Id.* at 39.

[11] *Id.*

[12] *Id.* at 41.

[13] *Id.* at 41.

[14] *Id.* at 42.

USPTO DIRECTOR CLARIFIES PTAB'S APPLICATION OF *FINTIV* TO LIMIT DISCRETIONARY DENIALS

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The USPTO has issued interim procedures curbing the PTAB's discretionary denials over post-grant proceedings associated with parallel ITC proceedings or district court litigation.

US Patent and Trademark Office (USPTO) Director Katherine Vidal recently released a memorandum providing interim procedures for discretionary denials in AIA post-grant proceedings associated with parallel International Trade Commission (ITC) proceedings or district court litigation.

This memorandum provides definitive instances of when the Patent Trial and Appeal Board (PTAB) will not discretionarily deny institution of an Inter Partes Review (IPR) or Post-Grant Review (PGR). Namely, the PTAB will **not** deny institution (1) when a petition presents **compelling evidence of unpatentability**; (2) when the parallel proceeding occurs in the **ITC**; and (3) where a petitioner **stipulates** not to pursue in a parallel district court proceeding the same grounds or any grounds that could have reasonably been raised before the PTAB.[1] Further, the PTAB will no longer take court trial dates at face value and instead will consider additional factors such as the **median time-to-trial** in the relevant district court.[2]

In deciding whether to discretionally deny institution, the PTAB relies on the following *Fintiv* factors:[3]

1. Whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted
2. Proximity of the court's trial date to the PTAB's projected statutory deadline for a final written decision
3. Investment in the parallel proceeding by the court and the parties
4. Overlap between issues raised in the petition and in the parallel proceeding
5. Whether the petitioner and the defendant in the parallel proceeding are the same party
6. Other circumstances that impact the PTAB's exercise of discretion, including the merits

[1] USPTO Memorandum "Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation" at 2-3.
[2] *Id.* at 3.
[3] *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PT AB Mar. 20, 2020) (designated precedential May 5, 2020).

After the *Fintiv* decision took precedential effect in May 2020, the number of discretionary denials for petitions with parallel litigation skyrocketed. Critics attributed the increase in denials to the PTAB's over-reliance on *Fintiv* factor two, which relied on unrealistic trial dates mainly in the Western District of Texas.[4] Discretionary denials have since decreased to 3% in 2022 since the number peaked in 2020.[5] The memorandum provides clarification about how the PTAB will consider district court trial dates when evaluating *Fintiv* factor two, to decrease the PTAB's over-reliance on inaccurate and unrealistic trial dates while providing petitioners with a more predictable path to cost-effective post-grant proceedings.

The issuance of these interim procedures does not overturn the precedence of the *Fintiv* factors, but rather, aligns the PTAB's *Fintiv* discretionary denial analysis with the intended benefits of the AIA's post-grant proceedings—mitigated litigation costs and improved patent quality.

The new interim procedures are as follows.

COMPELLING EVIDENCE OF UNPATENTABILITY

If the PTAB determines that the information presented at the institution stage provides compelling evidence of unpatentability, then it will not deny the petition's institution based on *Fintiv*.[6] The USPTO Director notes that this rule is a clarification of *Fintiv* factor six and is consistent with Congress's objective to create a robust and reliable patent system in which the PTAB can review and revise earlier patent grants.[7]

SOTERA STIPULATIONS

The PTAB will not discretionarily deny institution of an IPR or PGR if the petitioner stipulates not to pursue in a parallel district court proceeding the same grounds as in the petition or any grounds that could have been reasonably raised in the petition.[8] This rule is consistent with *Sotera*, where the petitioner filed such a stipulation and the PTAB subsequently instituted the IPR.[9] After *Sotera* was designated as precedential, petitions with stipulations increased and frequently avoided *Fintiv* denials.[10] Thus, the Director's guidance memorializes the practice of stipulations as a means of avoiding discretionary denials.

PARALLEL ITC PROCEEDINGS

Fintiv no longer applies to parallel ITC proceedings.[11] The Director outlined key distinctions between the ITC and district courts which make the application of *Fintiv* inappropriate when there is a corresponding ITC investigation.[12] For instance, the language of the *Fintiv* factors is directed to district court litigation, not the ITC. More importantly, ITC invalidity decisions are not precedential on the PTAB or US district courts. As such, the danger of inconsistent rulings between the PTAB and ITC is minimal.

[4] USPTO Executive Summary "Public Views on Discretionary Institution of AIA Proceedings" at 4; Patent Trial and Appeal Board Parallel Litigation Study at 34.

[5] Supra note 4.

[6] Supra note 1 at 5.

[7] *Id.* at 4.

[8] *Id.* at 7.

[9] *Sotera Wireless, Inc. v. Masimo Corp.*, IPR2020-01019, Paper 12 (PTAB Dec. 1, 2020).

[10] Patent Trial and Appeal Board Parallel Litigation Study at 8.

[11] Supra note 1 at 7.

[12] *Id.* at 6.

CONSIDERATION OF TRIAL DATES

Scheduled trial dates are notoriously unreliable. In light of this, the Director ruled that the PTAB will no longer take court trial dates at face value.[13] Instead, when applying *Fintiv* factor two, the PTAB will consider the median time-to-trial in the relevant district court. When such evidence is presented by the petitioner, the PTAB will consider additional district court factors, such as the number of cases before the assigned district court judge. This clarification provides that the PTAB can no longer deny compelling, meritorious petitions based on a scheduled trial date alone.

CONCLUSION

Overall, the issuance of these interim procedures effectively limits instances in which the PTAB can deny institution of IPRs and PGRs with associated parallel district court litigation under *Fintiv*. This will provide the public with more predictable access to the proven cost-effective alternative to litigation provided by the AIA. In light of this guidance, petitioners with parallel district court litigation should ensure that sufficient compelling evidence of unpatentability is presented at the institution stage, and, if appropriate, provide a *Sotera* stipulation to successfully avoid *Fintiv* discretionary denial.

[13] *Id.* at 8.

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ADDITIONAL INSIGHTS ON POST-GRANT PROCEEDINGS

Morgan Lewis routinely offers MCLE programs focused on critical developments in post-grant proceedings and related intellectual property topics. As one of the most active firms in filing and advising on post-grant matters, our seminars are designed to explain rule changes, highlight nuances, and share best practices and approaches to PTAB proceedings.

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