

Morgan Lewis

ANNUAL 2020 DIGEST

2020 PTAB DIGEST:
THE LATEST TRENDS AND DEVELOPMENTS
IN POST-GRANT PROCEEDINGS

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INTRODUCTION

As of 2020, post-grant proceedings have been in use for eight 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 12,500 petitions filed since 2013.

Even with this foundation, post-grant proceedings continue to evolve—both procedurally and substantively—from year to year, and 2020 was no exception. In the last year alone, the transitional program for covered business method (CBM) patents formally came to an end; the US Supreme Court further constricted appellate review of PTAB decisions by making most institution-related determinations nonreviewable; the US Court of Appeals for the Federal Circuit confirmed that, when a patent owner proposes amended or substitute claims during an inter partes review (IPR), the PTAB may consider grounds of unpatentability that could **not** have been raised in the initial IPR petition, including patent eligibility under Section 101; and the PTAB provided further guidance on when it will exercise its discretion to deny petitions under Section 325(d) where the same or substantially the same prior art or arguments were previously presented.

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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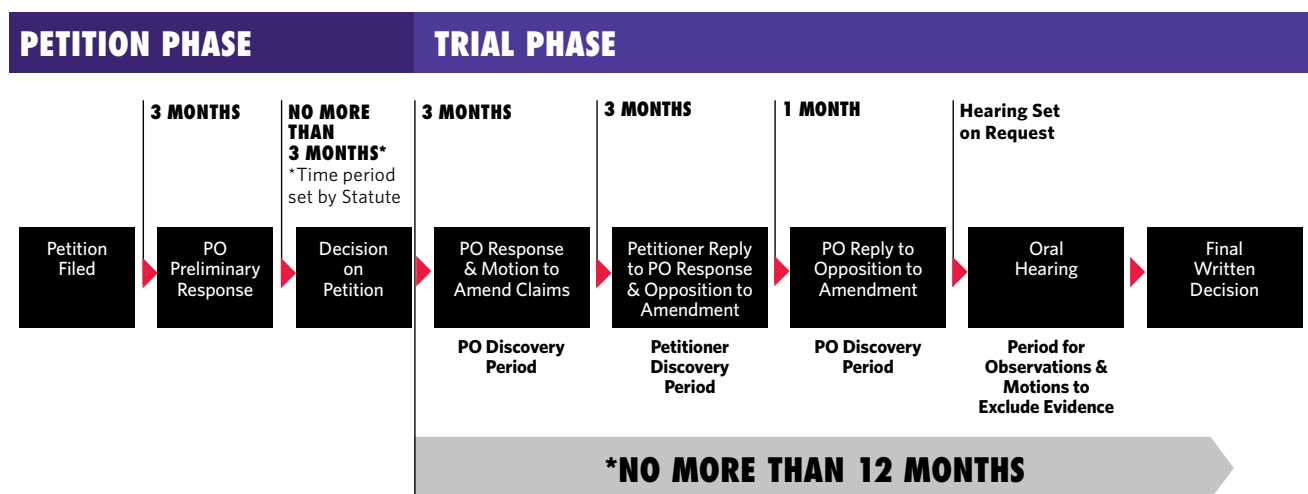
John V. Gorman

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, which then begins the general process diagrammed below.

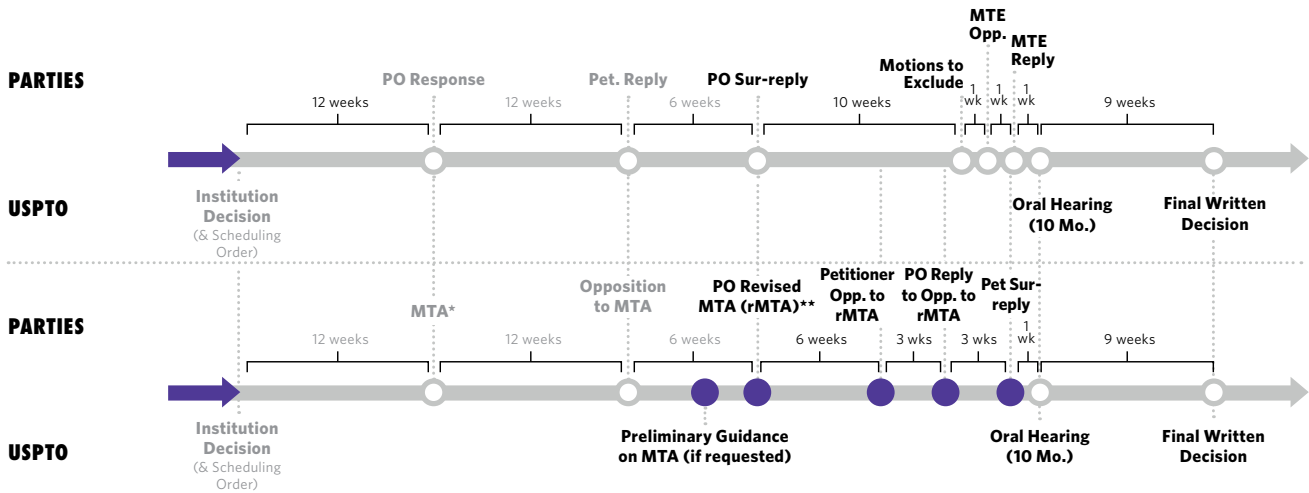
TRIAL PROCEEDING TIMELINE



Source: USPTO

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 purple
Existing procedures in white

* 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.

COVERED BUSINESS METHOD (CBM) PROCEEDINGS

For context, an overview of CBM proceedings is provided below, but these proceedings are no longer an available option at the PTAB, as the statutory sunset period passed on September 15, 2020.

The transitional program for CBM patent reviews applied only to “covered business method patents,” i.e., those patents that claim a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service. Claims for “technological inventions” are excluded from this definition. To be afforded review, the claims need to cover products and services that are financial in nature, while products and services that are only incidental to a financial activity likely will not be reviewed under CBM proceedings.

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

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

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

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 USC § 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 new 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

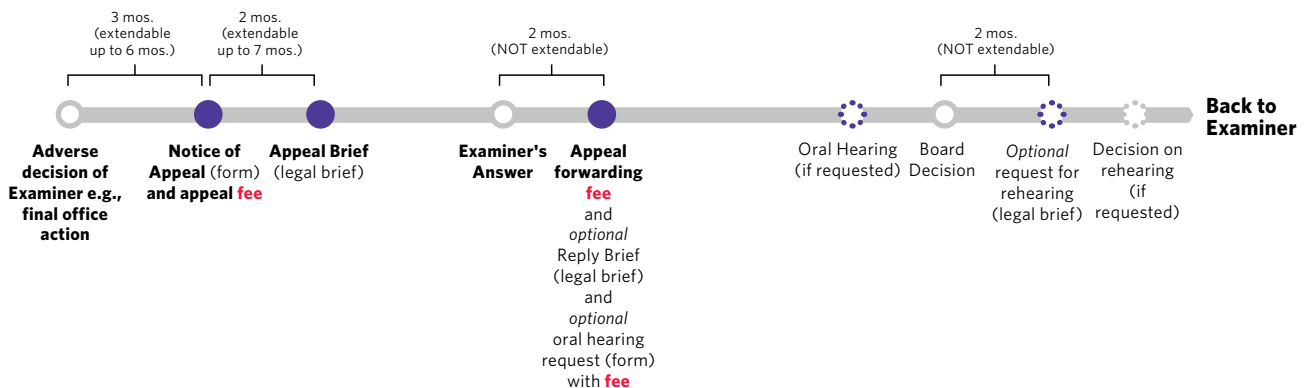
If a patent application has been twice rejected at the USPTO or a final office action has been issued, it may be time to file an appeal. By filing an appeal, a pending application is reviewed by a panel of at least three administrative patent judges, rather than the same examiner who already rejected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

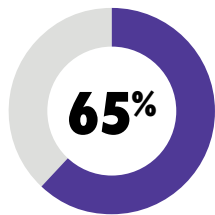


Source: USPTO

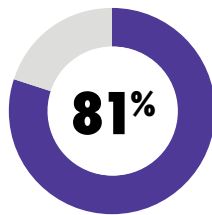
For a quick summary comparing these various types of proceedings, see our [Post-Grant Proceedings Chart](#).

PTAB SNAPSHOT

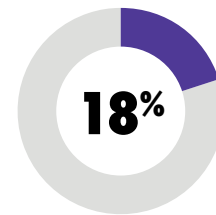
INVALIDITY RATE (OCT. 1, 2012-DEC. 31, 2020)



PTAB Final Decisions invalidating all claims

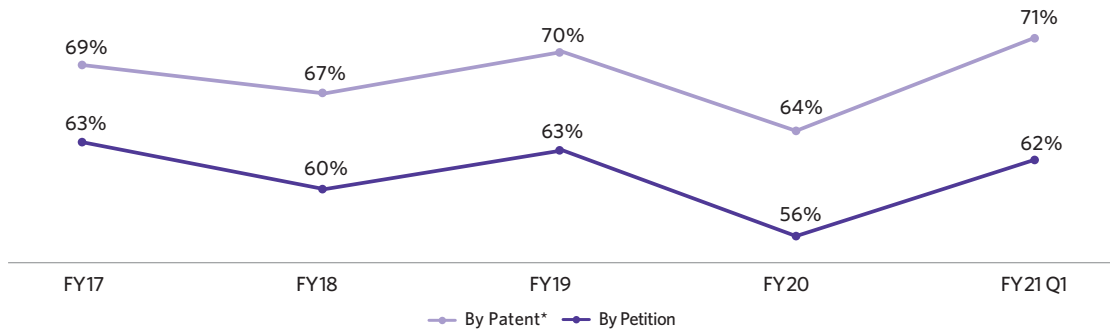


PTAB Final Decisions invalidating at least one claim



PTAB Final Decisions invalidating no claims

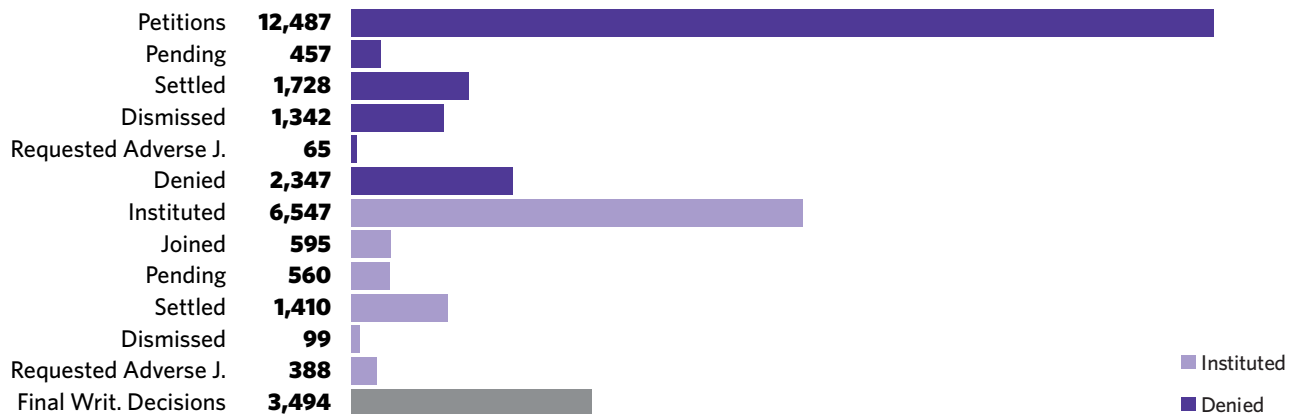
INSTITUTION RATES BY PATENT AND BY PETITION (FY17 TO FY21 THROUGH Q1: OCT. 1, 2016-DEC. 31, 2020)



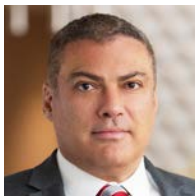
Source: USPTO

*Institution rate "By Patent" refers to any institution of a PTAB trial for a patent where other (generally subsequent) PTAB trial petitions for that same patent may have been denied.

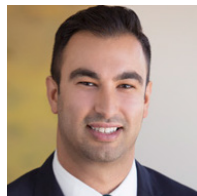
CASE DISPOSITION (OCT. 1, 2012-DEC. 31, 2020)



THE CHANGING LANDSCAPE OF PATENT DISPUTES



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Partner | Silicon Valley



EHSUN FORGHANY
Associate | Silicon Valley



KARON N. FOWLER
Associate | Chicago

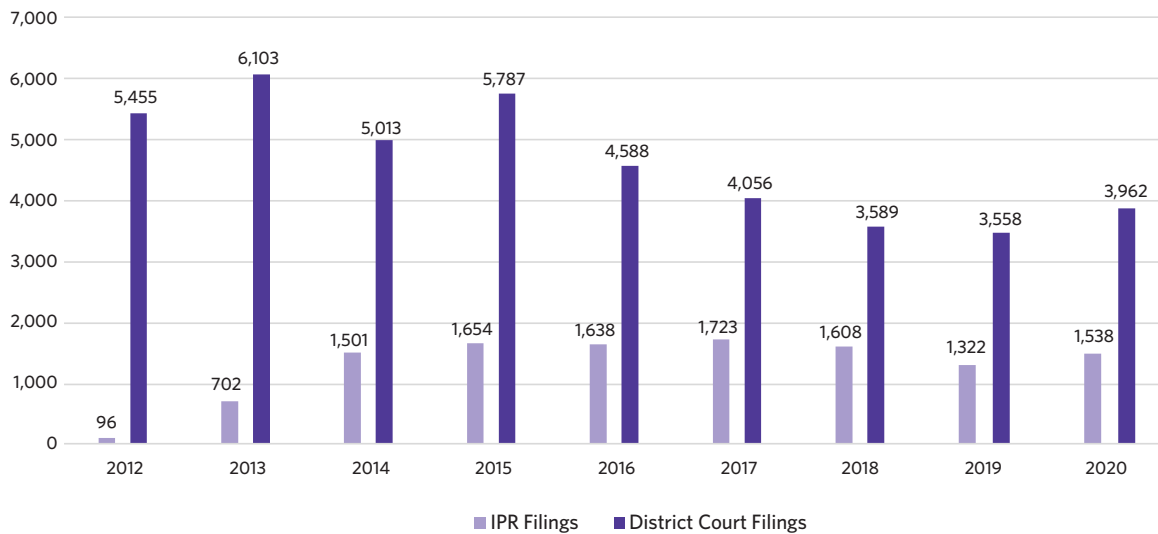


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Issued patents can be challenged at the PTAB through a number of mechanisms, including inter partes review (IPR), post-grant review (PGR), and a transitional program for covered business method (CBM) patents, which ended this year. Certain benchmarks and tracking measures reveal noteworthy trends, summarized below.¹

IPR AND DISTRICT COURT FILINGS REBOUND

The number of IPR petition filings recovered after a significant decline in 2019. Meanwhile, the four-year downward trend in district court patent litigation finally came to an end.



District court filings increased in 2020 with the highest number of new cases filed in the last two years: 3,962. Although there was a significant decline in IPR filings in 2019, the number of IPR petitions filed ticked upward in 2020 to 1,538.

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 2020, Google LLC was the top patent challenger in district court patent cases (48).² Samsung Electronics America, Inc. (41) came in second, and its related entity Samsung Electronics Company, Ltd. (39) closely followed.³ Microsoft Corporation (40) came in third.⁴

Samsung Electronics Company was the top petitioner before the PTAB with 107 filings.⁵ Apple came in second (99), followed by Samsung Electronics America (77) and Google (58), respectively.⁶

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

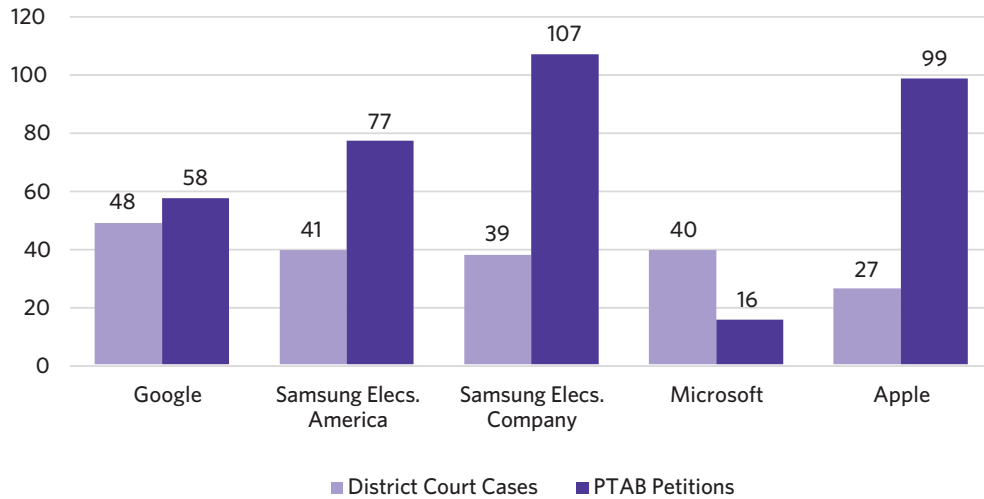
² Docket Navigator, *2020 Year in Review: Patent Litigation Special Report* at 13.

³ *Id.*

⁴ *Id.*

⁵ Docket Navigator, *2020 Year in Review: Patent Litigation Special Report* at 42.

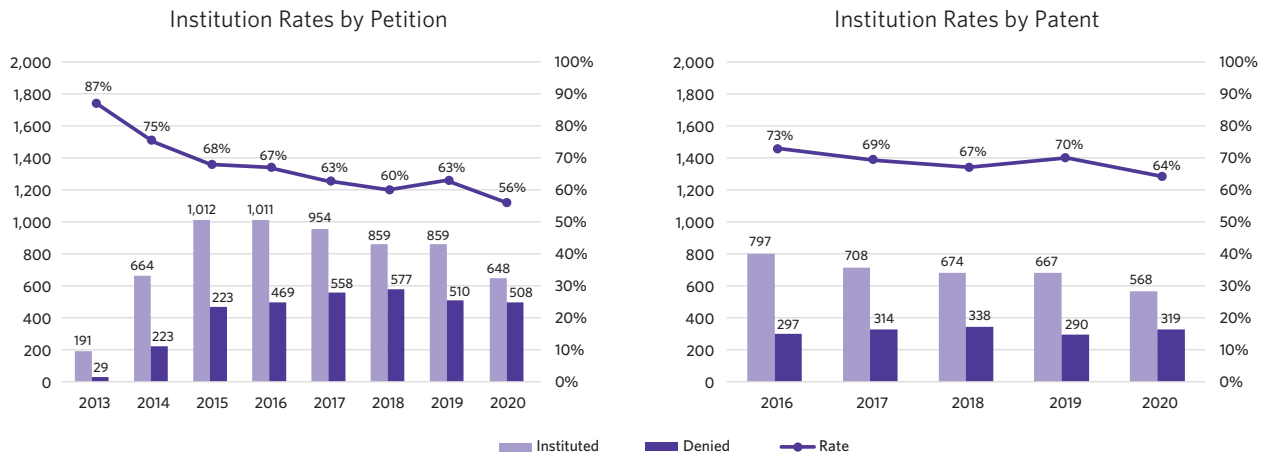
⁶ *Id.*



INSTITUTION RATES CONTINUE TO DECLINE

PTAB trial institution rates have progressively declined.⁷ The institution rate by petition in 2020 was 56%,⁸ and the institution rate by patent in 2020 was 64%.⁹ Factors that may have contributed to this gradual decline 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



Since 2018, the PTAB has relied on 35 USC § 314(a) to exercise its discretion in denying institution of petitions in light of the advanced state of a parallel district court proceeding.¹⁰ 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:

⁷ Institution rates by patent for each fiscal year are based on information available from the USPTO as of September 30, 2020. See Patent Trial & Appeal Board, [Trial Statistics IPR, PGR, CMB](#) (Sept. 2020).

⁸ USPTO, [PTAB Trial Statistics FY20 End of Year Outcome Roundup](#) at 8.

⁹ *Id.* at 9.

¹⁰ See [NHK Spring Co. v. Intri-Plex Technologies, Inc.](#), IPR2018-00752, Paper 8 (PTAB Sept. 12, 2018) (precedential decision).

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 merits¹¹

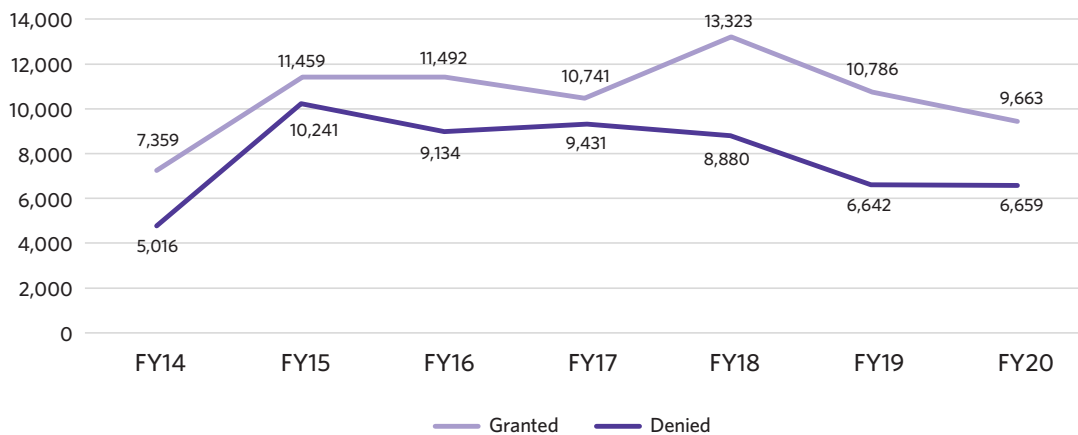
In its *Apple Inc. v. Fintiv Inc.* decision, the Board explained that it takes a “holistic view” in evaluating the factors to determine whether efficiency, fairness, and the merits support denying institution in view of an earlier trial date in the parallel proceeding.¹²

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.¹³ 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 USC § 318(a).¹⁴ That is, “the PTAB will institute as to all claims or none.”¹⁵

As shown below, the number of petitioned claims on which the PTAB instituted a proceeding following SAS initially spike. 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).”¹⁶ But, after the initial 2018 spike, the yearly institution rate returned to nearly the same as before SAS.¹⁷

Number of Petitioned Claims Granted or Denied Institution



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

¹² *Id.*

¹³ 138 S. Ct. 1348 (2018).

¹⁴ *Id.* at 1354.

¹⁵ USPTO, *Guidance on the Impact of SAS on AIA Trial Proceedings* (Apr. 26, 2018).

¹⁶ *Id.*

¹⁷ 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.¹⁸ Additional discovery may be available if the moving party shows that it is in the “interests of justice.”¹⁹ In *Garmin International, Inc. v. Cuozzo Speed Technologies, LLC*,²⁰ 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 that are not overly burdensome to answer

The USPTO has explained that “[t]he list of factors set forth in *Garmin* is not exhaustive.”²¹

The Board has been willing to grant additional discovery beyond the “routine” categories in some cases. One example is *Microsoft Corp. v. Science Applications International Corp.*,²² where Science Applications sought discovery of a contract and communications between Microsoft and Microsoft’s customer, the US government.²³ The contract pertained to a Microsoft-developed system for the government that implemented an allegedly infringing feature. Science Applications specifically requested the supplier contract and communications between Microsoft and the United States to determine whether the United States was a real party in interest or privy of Microsoft.²⁴

The Board determined that the *Garmin* factors favored granting Science Applications’ request. For the first and second factors, the Board explained that it “cannot rely on Petitioner’s identification of itself as the sole party in interest” when the identification of a petitioner as the sole party in interest is disputed.²⁵ According to the Board, Microsoft’s mere attorney argument that it was the only real party in interest sought to “characterize the very document it seeks to shield from discovery.”²⁶ Therefore, the Board had no factual basis to deny Science Applications’ motion, “especially when it is Petitioner’s burden to prove its status as the sole real party in interest, and Patent Owner has raised a reasonable dispute.”²⁷

The third *Garmin* factor favored granting Science Applications’ motion because there was no other manner for patent owner to seek the requested information.²⁸ Finally, the fifth *Garmin* factor weighed in Science Applications’ favor because the discovery requests were “narrowly tailored to reasonable and specific time periods and cover[ed] only the instant proceedings.”²⁹

For these reasons,³⁰ the Board granted Science Applications’ motion for additional discovery for the contract and communications.³¹ Citing the Federal Circuit’s decision in *Applications in Internet Time, LLC v. RPX Corp.*, 897 F.3d 1336 (Fed. Cir. 2018), and related cases, the Board explained that it was “discharging [its] duty to engage in a flexible approach to discovering the facts and issues surrounding the real party in interest and privy allegations in the current legal landscape” by granting Science Application’s motion.³²

¹⁸ See 37 C.F.R. § 42.51(b)(1).

¹⁹ *Id.* § 42.51(b)(2).

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

²¹ 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).

²² IPR2019-01311, Paper 14 (PTAB Oct. 9, 2019).

²³ *Id.* at 2-3.

²⁴ *Id.* at 3.

²⁵ *Id.* at 3.

²⁶ *Id.* at 3-4.

²⁷ *Id.* at 4.

²⁸ *Id.* at 4, 7.

²⁹ *Id.* at 6.

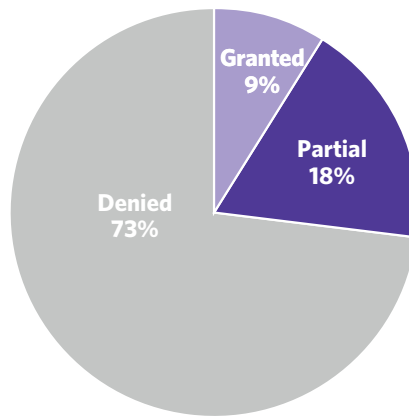
³⁰ The Board did not address the fourth factor.

³¹ *Id.* at 8.

³² *Id.* at 7.

As shown below, some type of additional discovery has been ordered in about one-quarter of the motions requesting it.³³

IPR Motions for Additional Discovery 2020



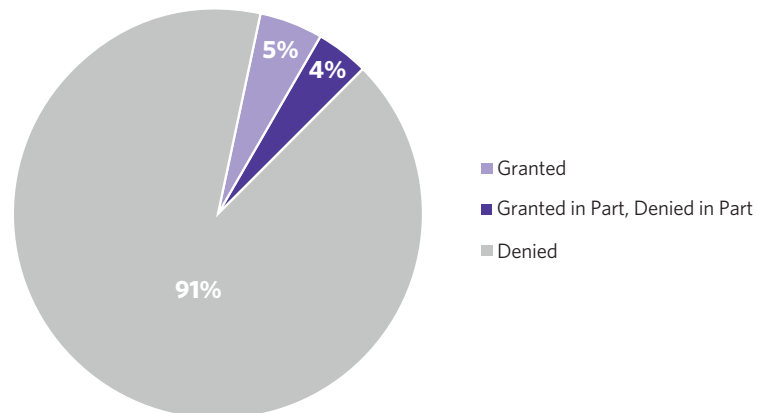
REQUESTS FOR REHEARING

The Board’s decision whether to institute trial is “final and nonappealable.”³⁴ After an unfavorable institution decision, a dissatisfied party seeking to upend the decision may file a request for rehearing.³⁵

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.³⁶ A request for rehearing is not a chance to present new arguments or evidence that could have been presented in the petition.³⁷

Requests for rehearing are rarely granted. To date, the PTAB has denied nearly all requests.³⁸ This is particularly true for requests for rehearing of institution decisions, where fewer than 20 requests were granted or granted in part over the last two years.³⁹

Requests for Rehearing Success Rate



³³ Success rates for IPR motions seeking additional discovery are based on information dated January 1, 2020 to December 31, 2020 on [Docket Navigator](#).

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

³⁵ 37 C.F.R. § 42.71.

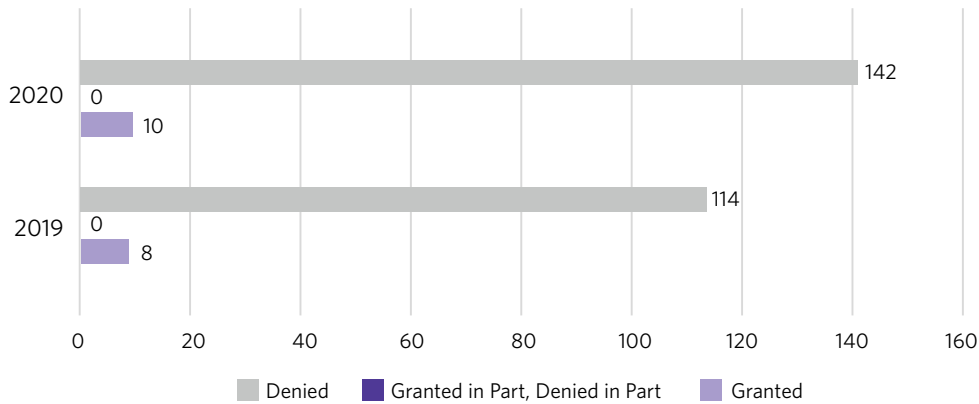
³⁶ *Id.* § 42.71(d).

³⁷ *Foursquare Labs, Inc. v. Silver St. Intellectual Techs., Inc.*, IPR2014-00159, 2014 WL 3945911, at *4 (PTAB Aug. 1, 2014).

³⁸ Success rates for requests for rehearing are based on information dated January 1, 2012 to December 31, 2020 on [Docket Navigator](#).

³⁹ Success rates for requests for rehearing decisions on IPR institutions are based on information dated January 1, 2019 to December 31, 2020 on [Docket Navigator](#).

Success of Requests for Rehearing: Decisions on IPR Institution



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.⁴⁰ 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.⁴¹ As shown below, the PTAB generally adheres to the representative timeline first provided in the 2012 trial guide.⁴² 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.⁴³

	Includes Institution Decision (From Petition Filing Date)	Final Written Decision (From Petition Filing Date)
Minimum	3.3 months	10.6 months
Median	6.2 months	1 year, 6.1 months
Maximum	7.9 months	1 year, 11.6 months
Average	6.2 months	1 year, 5.9 months

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 USC § 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 PGRs 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 Federal Circuit held in *Aqua Products, Inc. v. Matal*⁴⁴ 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.”⁴⁵

⁴⁰ 37 C.F.R. § 42.71(d).

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

⁴² 77 Fed. Reg. at 48,757.

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

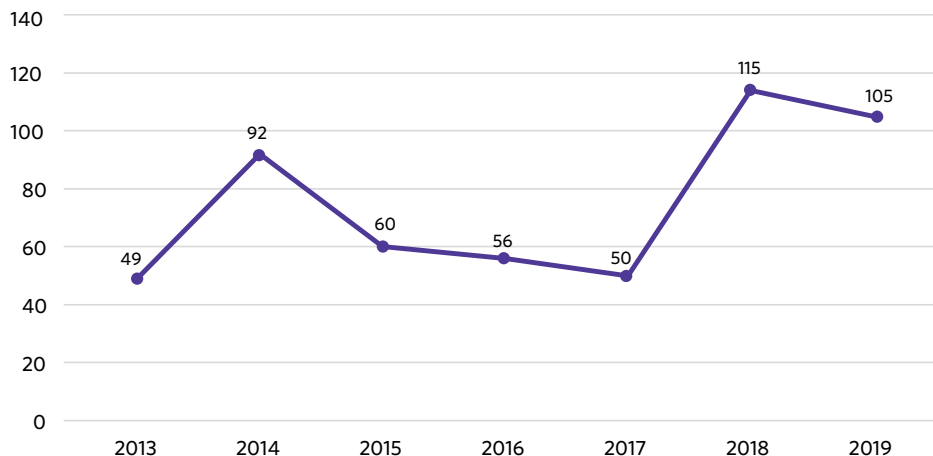
⁴⁴ 872 F.3d 1290 (Fed. Cir. 2017).

⁴⁵ *Id.* at 1327.

Following the Federal Circuit’s decision, the USPTO issued a memorandum titled *Guidance on Motions to Amend in view of Aqua Products*.⁴⁶ 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.”⁴⁷

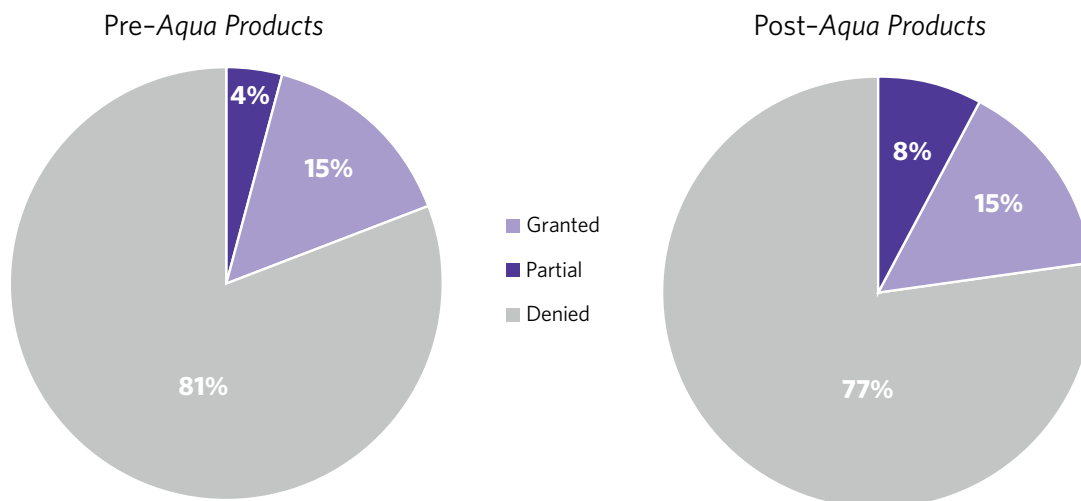
Sensing a turn in the tide, patent owners have begun filing motions to amend at unprecedented rates. The number of motions to amend filed in fiscal year 2019 (105) is slightly less than the number filed in fiscal year 2018 (115), but is more than double the number of motions to amend filed in fiscal year 2017 (50).⁴⁸

Motions to Amend (Substitute or Cancel) Filed by Year



The dramatic uptick in filing rates suggests that patentees are laying odds that the PTAB will more readily permit claims amendments. But their bets may not be paying off just yet. As shown in the two charts below, the success rate for motions to amend has not changed significantly.⁴⁹

Motion to Amend: Substitute Claims



⁴⁶ See [Memorandum](#) from David P. Ruschke, Chief Administrative Patent Judge, to PTAB (Nov. 21, 2017).

⁴⁷ *Id.*

⁴⁸ Patent Trial and Appeal Board, [Motion to Amend Study](#), Installment 6: Update through March 31, 2020.

⁴⁹ Data for motions to amend are based on information from [Docket Navigator](#), dated January 1, 2013 to October 3, 2017 (for pre-*Aqua Products* decisions), and October 4, 2017 to December 31, 2020 (for post-*Aqua Products* decisions).

In *Lectrosionics, Inc. v. Zaxcom, Inc.*,⁵⁰ which is now designated a precedential decision, the PTAB provided additional guidance on the statutory and regulatory requirements for motions to amend, including the following:

- Contingent motions to amend
- The burden of persuasion applied when considering the patentability of substitute claims
- The reasonable number of substitute claims
- The requirement that amendments respond to a ground of unpatentability involved in the trial
- The scope of the proposed substitute claims
- The requirement that a motion to amend include a claim listing
- The default page limits that apply to a motion to amend briefing and the submission of testimony or evidence
- 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*.⁵¹ 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.”⁵² 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.”⁵³

CONCLUSION

Since first going into effect more than seven years ago, IPR proceedings remain an important cog in the US patent system. Scrutinizing statistics from those seven years 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. Having represented clients in more than 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 65% success rate when representing patent owners.

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

- **Top 10 Patent Challenger Law Firms**, based on number of proceedings, *Docket Navigator* (2020)
- **Recognized, IP Stars**, PTAB Litigation, United States, *Managing Intellectual Property* (2017-2020)
- **Recommended, Intellectual Property, Patents: Prosecution** (including Re-Examination and Post-Grant Proceedings), *The Legal 500 US* (2019-2020)
- **Top 30 Law Firms at the PTAB**, Representing Petitioners and Respondents Combined, *Managing Intellectual Property* (2019)
- **Top 20 PTAB Law Firms**, based on number of proceedings, *Docket Navigator* (2018)
- **Top 25 Most Active Law Firms Representing Petitioners**, IPR Intelligence Report, *Patexia* (2018)

⁵⁰ See [IPR2018-01129, -1130, Paper 15](#) (PTAB Feb. 25, 2019) (precedential decision).

⁵¹ *Id.* at 4.

⁵² *Id.* at 5-6.

⁵³ *Id.* at 6-8.

DISTRICT COURT APPLIES IPR ESTOPPEL TO PHYSICAL PRODUCTS THAT ARE MATERIALLY THE SAME AS AVAILABLE PUBLICATIONS



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In *Wasica Finance GmbH v. Schrader International, et al.*, the US District Court of Delaware found that a defendant's failed inter partes review (IPR) challenge estopped it from later raising invalidity theories in the district court based on physical products that are conceptually the same "ground" as could have been raised in the IPR. This decision brings the District of Delaware on one side of a split emerging between district courts on an issue the Federal Circuit has not addressed.

In July 2013, plaintiffs Wasica Finance GmbH and BlueArc Finance AG (Wasica) filed suit against several aftermarket automotive parts suppliers, including Schrader International, Inc. (Schrader), alleging infringement of Wasica's US Patent No. 5,602,524 ('524 Patent). The '524 Patent generally relates to tire pressure monitoring systems that switch between normal and pairing modes.

In March 2014, Schrader filed a petition for IPR of the '524 Patent asserting that certain claims of the '524 Patent were anticipated or obvious over various prior art combinations including Italian Patent No. 1,219,753 to Oselin.¹ The Patent Trial and Appeal Board (PTAB) held that most of the challenged claims were unpatentable, but found that Schrader failed to demonstrate that dependent claims 6 and 9 were anticipated or obvious.² The US Court of Appeals for the Federal Circuit affirmed.³

When the case returned to the district court, Schrader sought to challenge the validity of claim 6 based on obviousness combinations that included Oselin in combination with a number of additional printed publications, as well as a tire pressure sensor product associated with the Chevrolet Corvette referred to as "ZR-1 Sensors." Wasica moved for summary judgment that, based on 35 USC § 315(e)(2), Schrader was estopped from asserting the invalidity grounds against claim 6 because it "reasonably could have raised" the same arguments during the IPR based on a 1990 article by Siuru that disclosed all of the relevant features of the ZR-1 Sensors.

¹ IPR2014-00476.

² IPR2014-00476, Paper 30.

³ See *Wasica Fin. GmbH v. Cont'l Auto. Sys., Inc.*, 853 F.3d 1272 (Fed. Cir. 2017).

DECISION

The IPR estoppel provision provides, in relevant part, that a petitioner that files an IPR resulting in a final decision may not assert in district court or International Trade Commission proceedings “that the claim is invalid *on any ground* that the petitioner raised or reasonably could have raised during that [IPR].”⁴

Only patents and printed publications can be used as prior art in an IPR.⁵ The ZR-1 Sensor is a physical product and thus normally would not be considered evidence that could be raised in an IPR. However, Wasica argued that Schrader reasonably could have raised the same arguments based on the Siuru printed publications that was available to it and fully described the product’s relevant features.

In resolving this dispute, the court noted three key issues that Schrader did not dispute:

1. Each printed publication Schrader now raised was previously raised or reasonably could have been raised during the IPR.
2. The 1990 Siriu article disclosed all of the relevant features of the ZR-1 Sensors.
3. Schrader reasonably could have raised the Siuru article during the IPR.

Thus, the key issue, as framed by the court, became whether an “obviousness combination—whose only relevant difference from a prior IPR combination is the inclusion of a physical product as one component”—was the same “ground” as Schrader could have raised during the IPR based on the Siriu printed publication.⁶ “That is, does IPR estoppel extend to invalidity ‘grounds’ that include a physical product when a patent or prior art publication—to which the physical product is entirely cumulative—was reasonably available during the IPR[?]”⁷

The court ultimately sided with Wasica⁸ and found another section of the governing statute indicated a distinction between the “**grounds**” for the challenge and the “**evidence** that supports grounds.”⁹ And since the IPR estoppel provision applies to “**grounds**” and not “**evidence**,” the court held that “a petitioner is estopped from proceeding in litigation on those grounds, even if the evidence used to support those grounds was not available to be used in the IPR.”¹⁰

Accordingly, since the ZR-1 Sensor product was “materially identical” to the ground based on the Siriu printed publication, Schrader was estopped from raising it in the district court.¹¹

⁴ 35 U.S.C. § 315(e)(2) (emphasis added).

⁵ See 35 U.S.C. § 311(b).

⁶ No. 13-cv-1353, slip. op. at 5.

⁷ *Id.*

⁸ No. 13-cv-1353, slip. op. (D. Del. Jan. 14, 2020).

⁹ See *id.* at 7 (quoting 35 U.S.C. § 312(a)(3) (emphasis in original)).

¹⁰ *Id.* (emphasis in original).

¹¹ *Id.*

OTHER COURT'S TREATMENT OF IPR ESTOPPEL

Currently, courts are split on whether 35 USC § 315(e) applies to product or system art and the Federal Circuit has yet to weigh in on the issue. Some courts have held products embodying patents or printed publications are not subject to Section 315(e) estoppel because only patents or printed publications can serve as grounds for invalidity in an IPR. Therefore, any grounds relying on physical product art could not reasonably have been raised during the IPR because they are precluded.¹² Other courts, like in *Wasica*, have rejected this interpretation as an attempt to skirt the estoppel provision, and held that estoppel applies to physical products where a printed publication corresponding to the product was reasonably available for use in an IPR.¹³ However, these courts still recognize that products that disclose claimed features not present in the corresponding printed publication are “a superior and separate reference” from the printed publication and not subject to estoppel.¹⁴

CONCLUSION

The *Wasica* decision further divides the district court split on IPR estoppel's application to physical products. The case is currently set for trial in 2020, and Morgan Lewis will provide updates as appropriate. Until the Federal Circuit weighs in on the issue, practitioners preparing IPR petitions should be cognizant of how estoppel is applied in their districts. Practitioners should also consider whether any printed publications exist that disclose elements found in the product, whether the physical product discloses claimed features not found in the printed publication, and whether the printed publication is even available as prior art.

¹² See *Polaris Indus., Inc. v. Arctic Cat Inc.*, No. CV 15-4475 (JRT/TNL), 2019 WL 3824255, at *3 (D. Minn. Aug. 15, 2019) (holding that grounds with physical products could not reasonably have been raised during the IPR because only patents or printed publications can serve as invalidity grounds in an IPR); *Zitovault, LLC v. Int'l Bus. Machs. Corp.*, No. 3:16-CV-0962-M, 2018 WL 2971178, at *4 (N.D. Tex. Apr. 4, 2018) (holding that patent challengers can rely on prior art systems embodying the same patents or printed publications used in an IPR because the system art could not have been raised there); *Milwaukee Elec. Tool Corp. v. Snap-On Inc.*, 271 F. Supp. 3d 990, 1032 (E.D. Wis. 2017) (holding that IPR estoppel does not apply to physical specimens “given the clear limitation of Section 311(b) to written materials”); *Clearlamp, LLC v. LKQ Corp.*, No. 12 C 2533, 2016 WL 4734389, at *8 (N.D. Ill. Mar. 18, 2016), *judgment entered*, No. 12 C 2533, 2016 WL 7013478 (N.D. Ill. Nov. 30, 2016) (“The relevant inquiry, therefore, is not whether the ground is redundant of a ground that was asserted but, rather, whether the ground reasonably could have been raised. Merely being redundant to a ground that could have been asserted during inter partes review does not estop the alleged infringer from relying upon a ground based upon prior art that was not reasonably available during inter partes review.”).

¹³ See *Oil-Dri Corp. of Am. v. Nestlé Purina Petcare Co.*, No. 15 C 1067, 2019 WL 861394, at *10 (N.D. Ill. Feb. 22, 2019) (finding that estoppel would apply where a patent challenger had reasonable access to a printed publication corresponding to or describing a product that could have proffered during an IPR); *Star Envirotech, Inc. v. Redline Detection, LLC*, No. SACV 12-01861 JGB (DFMx), 2015 WL 4744394, at *4 (C.D. Cal. Jan. 29, 2015) (finding estoppel applies where printed publication discloses the same elements found in the product; however, not where the product art discloses claimed features not present in the corresponding printed publication); *SRAM, LLC v. RFE Holding (Can.) Corp.*, No. 15-cv-11362, Dkt. No. 102 at 11-12 (N.D. Ill. Jan. 25, 2019) (following *Star Envirotech*); *Cal. Inst. of Tech. v. Broadcom Ltd., et al.*, No. 16-3714-GW (AGRx), at 10-11 (C.D. Cal. Aug. 9, 2019) (holding that estoppel applies to products where a patent challenger “is simply swapping labels for what is otherwise a patent or printed publication invalidity ground in order to ‘cloak’ its prior art ground and ‘skirt’ estoppel”).

¹⁴ See *Star Envirotech*, 2015 WL 4744394, at *4.

RECENT FEDERAL CIRCUIT DECISION SUGGESTS PATENT CHALLENGERS CANNOT INVOKE *ARTHREX*



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A recent decision by the US Court of Appeals for the Federal Circuit suggests that petitioners who unsuccessfully challenge patents in an inter partes review (IPR) at the Patent Trial and Appeal Board (PTAB) cannot rely on *Arthrex*—which held that PTAB administrative patent judges (APJs) were not constitutionally appointed—to gain another hearing before a newly appointed panel of APJs.

On January 28, in *Ciena Corp. v. Oyster Optics, LLC*,¹ the Federal Circuit denied a motion to vacate and remand the PTAB's IPR decision. Petitioner Ciena had challenged the patent at the PTAB after being sued by Oyster for patent infringement in district court. The PTAB instituted an IPR, but ultimately determined that the challenged claims were not unpatentable.

Ciena appealed, claiming that because the decision had been rendered under a system for appointing APJs, which [Arthrex had held was unconstitutional](#), Ciena was entitled to a remand for a new hearing on the merits in front of a new panel of PTAB APJs.²

The Federal Circuit disagreed, reasoning that, as the petitioner, Ciena should have known of the structural defect addressed in *Arthrex*, and thus had forfeited any structural challenges to the IPR proceedings.³ In other words, Ciena's decision to avail itself of the IPR process amounted to a waiver of any argument that the appointment of the original panel of APJs was unconstitutional. The Federal Circuit then found no other reason that it should otherwise intervene to address any issues of constitutionality, in part because *Arthrex* had already "remedied the structural defect" by severing the portion of the statute that provided removal productions to APJs.⁴ The rest of Ciena's appeal, however, will continue.⁵

¹ No. 19-2117, ECF No. 31 (Fed. Cir. Jan. 28, 2010).

² *Id.* at 2.

³ *Id.* ("[U]nlike the patent owners in *Arthrex*, Ciena sought out the Board's adjudication, knew or at least should have known of this structural defect, and was content to have the assigned Board judges adjudicate its invalidity challenges until the Board ruled against it.").

⁴ *Id.* at 3-5 (referring to *Arthrex, Inc. v. Smith & Nephew, Inc.*, No. 2018-2140, ECF No. 69 at 26-27 (Fed. Cir. Oct. 31, 2019) (citing 35 U.S.C. § 3(c), in turn referring to 5 U.S.C. § 7513(a), which allows APJ removal "only for such cause as will promote the efficiency of the service")).

⁵ *Id.* at 5 (ordering the opening brief due within 30 days).

In another pending case that bears on the ability of patent challengers to assert *Arthrex*, *United Fire Protections Corp. v. Engineered Corrosion Solutions, LLC*,⁶ the US Patent and Trademark Office (USPTO), as intervenor, is urging the Federal Circuit to deny an appeal from a petitioner attempting to bring an *Arthrex* challenge against the PTAB's decision not to institute an IPR. In its recently filed brief, the USPTO argued that "[t]he determination by the Director whether to institute an [IPR] under this section is final and nonappealable," and even if it were not, under *Ciena*, the petitioner has forfeited any *Arthrex* complaints about the process.⁷

While the post-*Arthrex* landscape is still evolving, and the Federal Circuit will have the final word on *United Fire Protections Corp.*, these early indications suggest that *Arthrex* remedies may be limited to patent owners and not petitioners.

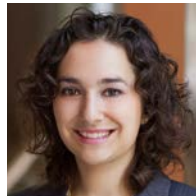
⁶ No. 20-1272, ECF No. 28 (Fed. Cir. Jan 31, 2020).

⁷ *Id.* at 5-6 (citing 35 U.S.C. § 314(d)).

PTAB PROVIDES GUIDANCE ON DENIALS OF PETITIONS FOR INTER PARTES REVIEW



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The Patent Trial and Appeal Board recently designated two decisions as precedential and a third as informative in cases where the PTAB considered whether to exercise 35 USC § 325(d) discretion to deny petitions where the same or substantially the same prior art or arguments had previously been presented.

The Patent Trial and Appeal Board (PTAB) on March 24 provided further guidance on when it is appropriate to exercise its discretion under 35 USC § 325(d) to deny petitions for inter partes review by designating two decisions as precedential (*Advanced Bionics LLC v. MED-EL Elektromedizinische Geräte GmbH* in its entirety and portions of *Oticon Medical AB v. Cochlear Ltd.*) and a third decision (*Puma North America Inc. v. Nike Inc.*) as informative.¹

PTAB'S DISCRETION UNDER 35 USC § 325(D)

Under the America Invents Act, the PTAB has considerable discretion to determine whether to institute inter partes review. 35 USC § 325(d) states, in pertinent part:

In determining whether to institute or order a proceeding . . . the Director may take into account whether, and reject the petition or request because, the same or substantially the same prior art or arguments previously were presented to the Office.

Patent owners have used this language in the past to encourage the PTAB to decline to institute inter partes review when the presented grounds include prior art previously considered by the Office.

¹ *Advanced Bionics LLC v. MED-EL Elektromedizinische Geräte GmbH*, No. IPR2019-01469, Paper No. 6 (PTAB Feb. 13, 2020) (entire opinion designated precedential); *Oticon Medical AB v. Cochlear Ltd.*, No. IPR2019-00975, Paper No. 15 (PTAB Oct. 16, 2019) (sections II.B and II.C designated precedential); *Puma N. Am. Inc. v. Nike Inc.*, IPR2019-01042, Paper No. 10 (PTAB Oct. 31, 2019) (entire opinion designated informative).

ADVANCED BIONICS TWO-PART FRAMEWORK

In *Advanced Bionics*, the PTAB explained that 35 USC § 325(d) identifies two separate issues that the PTAB should consider in exercising discretion to deny institution of inter partes review:

- “[W]hether the petition presents to the Office the same or substantially the same **art** previously presented to the Office,” or
- “whether the petition presents to the Office the same or substantially the same **arguments** previously presented to the Office.”²

The PTAB explained that these are “highly factual inquir[ies]” and expand on the factors set forth in an earlier precedential opinion, *Becton, Dickinson & Co. v. B. Braun Melsungen AG*.³

If the PTAB finds that a petition presents the same or substantially the same art or arguments, then it will proceed to the second step of the two-part framework and deny review unless the petitioner shows that the office erred “in a manner material to the patentability of challenged claims” when it issued or upheld the patent.⁴

In a footnote, the decision explains that “[a]n example of a material error may include misapprehending or overlooking specific teachings of the relevant prior art where those teachings impact patentability of the challenged claims. Another example may include an error of law, such as misconstruing a claim term, where the construction impacts patentability of the challenged claims.”⁵

THE TWO-PART FRAMEWORK AS APPLIED

Applying this framework to the facts of the case in *Advanced Bionics*, the PTAB determined that Advanced Bionics’ petition presents the same or substantially the same prior art previously presented to the Office during patent prosecution and that the petitioner failed to show that the examiner materially erred as to the patentability of challenged claims.⁶

The PTAB also designated its October 31, 2019 opinion in *Puma* as informative. This decision denies institution of an inter partes review based on 35 USC § 325(d), where the examiner twice rejected the challenged claims over the same combination of references in the same manner the petitioner proposed, and the PTAB found that the petitioner failed to show examiner error.⁷ In particular, the PTAB stated that the petitioner had failed to explain “how or why the Examiner erred.”⁸

In *Oticon*—designated precedential in pertinent part—the PTAB declined to exercise its discretion under 35 USC § 325(d) after determining that the cited art was not substantially the same as the art considered during prosecution and that the examiner erred in not considering the art during prosecution.⁹ In particular, the PTAB determined “there was error in the prosecution leading to the issuance of the [] patent” because the examiner failed to consider a prior art reference’s teaching.¹⁰

CONCLUSION

Taken together, these three decisions demonstrate what factors the PTAB is considering when evaluating whether to use its discretion to deny institution of inter partes review under 35 USC § 325(d).

² *Advanced Bionics*, Slip op. at 7 (emphasis added).

³ *Id.* (citing *Becton, Dickinson & Co. v. B. Braun Melsungen AG*, No. IPR2017-01586, Paper No. 8 (PTAB Dec. 15, 2017) (precedential as to § III.C.5, first paragraph)).

⁴ Slip op. at 8.

⁵ *Id.* at 8 n.9.

⁶ *Id.* at 22.

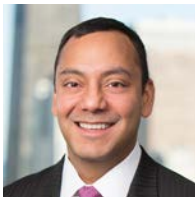
⁷ *Puma*, slip op. at 21.

⁸ *Id.* at 16.

⁹ *Oticon*, slip op. at 19.

¹⁰ *Id.*

SUPREME COURT: PTAB ASSESSMENT OF ONE-YEAR INTER PARTES REVIEW TIME BAR IS NON-REVIEWABLE



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With this decision, the US Supreme Court again prioritizes giving the US Patent and Trademark Office (PTO) a second chance to review and potentially weed out “bad patents,” over permitting parties the opportunity to challenge the PTO’s decision to institute an inter partes review (IPR). As a result, patent owners cannot challenge the PTO’s determination that an IPR petition is or is not time barred. This decision could also streamline issues for appeal.

In its ruling Monday in *Thryv, Inc. v. Click-to-Call Techs, LP.*, the Supreme Court further constricted appellate review of Patent Trial and Appeal Board (PTAB) determinations under 35 USC § 314(d). The Court held that this statute—under which “[t]he determination by the [PTO] Director whether to institute an inter partes review. . . shall be final and nonappealable”—also applies to PTAB decisions regarding whether the one-year time bar applies to a given petition. Consequently, PTAB decisions on whether or not IPR petitions are time-barred are not subject to appellate review.

This ruling directly follows from the Court’s previous interpretation of § 314(d) in its 2016 *Cuozzo Speed Techs, LLC v. Lee* ruling. There, the Court foreclosed judicial review of IPR institution decisions, explaining that:

our interpretation applies where the grounds for attacking the decision to institute inter partes review consist of **questions that are closely tied to the application and interpretation of statutes related to the Patent Office’s decision to initiate** inter partes review.¹

Likewise, the Court here reasoned that the “application of §315(b)’s time limit . . . is closely related to its decision whether to institute inter partes review.”² “Section 315(b)’s time limitation is integral to, indeed a condition on, institution. After all, § 315(b) sets forth a circumstance in which ‘[a]n inter partes review may not be instituted.’”³ “Because § 315(b) expressly governs institution and nothing more, a contention that a petition fails under § 315(b) is a contention that the agency should have refused ‘to institute an inter partes review.’”⁴

¹ 136 S. Ct. 2131, 2141 (2016) (emphasis added).

² Op. at 2.

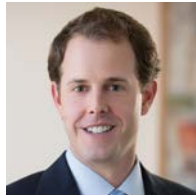
³ *Id.* at 7.

⁴ *Id.* at 8 (quoting § 314(d)).

PTAB PROVIDES GUIDANCE ON PRINTED PUBLICATIONS AS PRIOR ART



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The Patent Trial and Appeal Board recently provided further guidance on what is needed to establish that a nonpatent reference is a prior art printed publication.

The US Patent and Trademark Office (USPTO) Patent Trial and Appeal Board (PTAB) has provided further guidance on what is required to meet the burden to establish that a reference constitutes a printed publication by designating one decision as precedential (*Ex parte Grillo-López*) and portions of other decisions as informative (*Seabery North America Inc. v. Lincoln Global, Inc.*; *Argentum Pharmaceuticals LLC v. Research Corp. Technologies, Inc.*; *In-Depth Geophysical, Inc. v. ConocoPhillips Co.*).¹

STANDARD FOR ESTABLISHING WHETHER A PRINTED PUBLICATION QUALIFIES AS PRIOR ART DIFFERS BETWEEN EXAMINATIONS AND IPRS

In *Ex parte Grillo-López*, the PTAB addressed what standard applies during examination for determining whether a reference qualifies as a prior art printed publication. The examiner in this case relied on a transcript of a Food and Drug Administration (FDA) committee meeting to reject pending claims.² The PTAB had previously addressed this same FDA transcript in the context of inter partes review (IPR) proceedings and found that the petitioner had not shown it to be publicly accessible to the extent required to constitute a prior art printed publication.³ But, in *Ex parte Grillo-López*, the PTAB reached a seemingly contradictory conclusion: that the examiner had sufficiently shown that the FDA transcript qualified as publicly available prior art.⁴

¹ *Ex parte Grillo-López*, Appeal No. 2018-006082 (Jan. 31, 2020) (entire opinion designated precedential); *Argentum Pharms. LLC v. Research Corp. Techs., Inc.*, IPR2016-00204, Paper 19 (May 23, 2016) (Section II.B designated informative); *Seabery N. Am. Inc. v. Lincoln Global, Inc.*, IPR2016-00840, Paper 11 (Oct. 6, 2016) (Section II.A.i designated informative); *In-Depth Geophysical, Inc. v. ConocoPhillips Co.*, IPR2019-00849, Paper 14 (Sept. 6, 2019) (Section I.E designated informative).

² *Ex parte Grillo-López*, slip op. at 1-2.

³ *Id.* at 2.

⁴ *Id.* at 2-8.

The PTAB explained these differing outcomes by clarifying that the burden for establishing the prior art status of a reference applicable to IPR proceedings does not apply during regular examination of a patent application before the USPTO. In IPR proceedings, a petitioner is required to present evidence and arguments to make a “threshold showing” of a reference’s public availability. But, as the PTAB held in *Ex parte Grillo-López*, “the examination context” is different as it “involves a burden-shifting framework under which the USPTO can shift the burden to the applicant to come forward with rebuttal evidence or argument to overcome a prima facie case.”⁵

The PTAB thus confirmed that an examiner reviewing a pending application only needs to make a prima facie case that a reference qualifies as prior art in order to rely on it for a rejection. In *Ex parte Grillo-López*, the prima facie case was established by a public notice of hearing for the FDA committee’s meeting, the presence of an interested member of the public at that meeting, and federal law that requires such meetings to be transcribed and for the transcripts to be made publicly available after the meeting.⁶

TESTIMONY OF THESIS ADVISOR SUFFICIENT TO DEMONSTRATE STUDENT’S DISSERTATION IS PRIOR ART

The PTAB also designated as informative part of an IPR decision addressing whether a doctoral thesis has been sufficiently shown to be prior art. In *Seabery*, the PTAB found that the petitioner had sufficiently demonstrated that the thesis—which had been written by a student at a German university and deposited in the university’s library—qualified as a prior art printed publication.⁷ The petitioner presented testimony of the student’s thesis advisor that he had supervised the thesis work and that, according to the university’s rules at the time, the dissertation had to be deposited in the university’s library.⁸ The testimony also confirmed that the thesis was indexed by the library and available for public retrieval.⁹

Based on this evidence, the PTAB rejected the patent owner’s assertion that there was insufficient evidence of the thesis’s publication in the prior art time period.¹⁰ For petitioners, this decision underscores the significance of being able to rely on testimony from a witness with firsthand knowledge of an institution’s practice for indexing publications and making them available to the public.

JOINT STATEMENT OF FACTS FROM DISTRICT COURT PROCEEDINGS INSUFFICIENT TO SHOW THESIS IS PRIOR ART

The PTAB also designated as informative a part of another decision addressing whether a thesis was shown to be prior art in an IPR. In *Argentum Pharmaceuticals*, the petitioner relied on a joint statement of uncontested facts submitted in a district court case involving the patent owner to show that the thesis was publicly available prior art.¹¹ The joint statement stated that “for purposes of this litigation, the LeGall thesis was publicly accessible more than one year before the earliest priority date for the ‘551 patent and constitutes a ‘printed publication’ within the meaning of 35 U.S.C § 102(b).”¹²

The PTAB was not persuaded that the apparent admission from the patent owner regarding the prior art status of this reference supported a “threshold showing” of public accessibility.¹³ The PTAB reasoned that “[d]uring the district court litigation, Patent Owner may have agreed to stipulate to certain facts to streamline matters at trial there, for example, or had other reasons to stipulate on the issue in a case involving different parties in a different forum, regardless of whether the thesis was, in fact, publicly accessible or not.”¹⁴

⁵ *Id.* at 2.

⁶ *Id.* at 3.

⁷ *Seabery N. Am. Inc. v. Lincoln Global, Inc.*, slip op. at 7.

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.* at 7-8.

¹¹ *Argentum Pharms. LLC v. Research Corp. Techs., Inc.*, slip op. at 10.

¹² *Id.*

¹³ *Id.*

¹⁴ *Id.* at 11.

This decision highlights that the PTAB may not be persuaded by an admission from the patent owner made in different proceedings, even if directly on point, and that a best practice for petitioners is to additionally present any and all evidence of an asserted reference's public availability that can reasonably be gathered.

DATE ASSOCIATED WITH CONFERENCE PAPER ON SOCIAL NETWORKING SITE INSUFFICIENT TO SHOW PUBLIC ACCESSIBILITY

The PTAB also designated as informative a portion of an IPR decision addressing whether a conference paper was demonstrated to be prior art. In *In-Depth Geophysical*, the petitioner relied on a printout of a webpage found on ResearchGate, a social networking site for scientists and researchers, which listed the title and authors of the conference paper along with the statement "Conference Paper – September 2012 with 45 Reads."¹⁵

The PTAB rejected this webpage printout as insufficient to show that the paper qualified as prior art. As the PTAB reasoned, there is "nothing further . . . that explains what this date represents, for instance whether September 2012 was the date of submission, acceptance for publication, or publication, or when the full text became available."¹⁶ The PTAB also found that the 2012 copyright date associated with the paper "does not provide a specific day, or even month, the paper was published or made publically available, and therefore does not persuasively corroborate the 'September 2012' publication date" alleged by the petitioner.¹⁷

The PTAB's decision here underscores that a petitioner challenging a patent must come forward with more than a mere date stamp on a reference in order to demonstrate when, if ever, that reference became publicly available.

CONCLUSION

These PTAB decisions provide important insight on the standards governing printed publications and the factual showing required to demonstrate that a reference was publicly available and qualifies as prior art.

¹⁵ *In-Depth Geophysical, Inc. v. ConocoPhillips Co.*, slip op. at 6.

¹⁶ *Id.* at 9.

¹⁷ *Id.*

IPR TIME BARRED AFTER COUNSEL UPLOADS INCORRECT DOCUMENT IN PLACE OF PETITION



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The decision by the Patent Trial and Appeal Board illustrates the dangers in waiting until the last day of the one-year statutory bar to file a petition, and the importance of double checking the filed documents on the PTAB's website to ensure that the petition and its supporting documents were correctly filed before the one-year statutory bar is triggered.

A panel of Patent Trial and Appeal Board (PTAB) judges recently held that a petition for inter partes review was time barred by the one-year statutory bar under 35 USC § 315(b) after a petitioner's counsel mistakenly uploaded a duplicate copy of its power of attorney instead of the petition document. Petitioner moved to correct the filing under 37 CFR § 42.104(c) without losing the initial filing date, but the PTAB denied the motion because the mistake did not relate to any clerical or typographical error "in the petition" itself. Thus, petitioner could not file the corrected petition and still maintain its original filing date, and consequently, the corrected petition was time barred.

When Congress passed legislation in 2012 introducing inter partes reviews (IPRs) as a way to streamline patent validity disputes, it placed several important limitations on the availability of those proceedings. One such limitation is found in 35 USC § 315(b), which provides that an IPR "may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent."¹ Since 2012, the PTAB has issued several significant decisions exploring the boundaries of this one-year statutory bar. For example, the PTAB previously determined that voluntary dismissal of a complaint does not negate application of the one-year statutory bar to filing a petition.² It also found that the one-year statutory bar applies to a complaint regardless of whether that complaint is ultimately found to be deficient for lack of standing.³

¹ 35 USC § 315(b).

² *Oracle Corp. v. Click-to-Call Techs. LP*, IPR2013-00312, Paper 52 (October 28, 2014), *vacated and remanded Click-To-Call Techs., LP v. Ingenio, Inc., YellowPages.com, LLC*, 899 F.3d 1321 (Fed. Cir. 2018), *cert. granted in part sub nom. Dex Media, Inc. v. Click-To-Call Techs., LP*, 139 S. Ct. 2742, 204 L. Ed. 2d 1129 (2019), and *vacated and remanded sub nom. Thryv, Inc v. Click-To-Call Techs., LP*, No. 18-916, 2020 WL 1906544 (U.S. Apr. 20, 2020).

³ *GoPro Inc. v. 360Heroes Inc.*, IPR2018-01754, Paper 38 (Aug. 23, 2019).

Recently, in *Thryv, Inc v. Click-To-Call Techs., LP*, the US Supreme Court held that the PTAB's interpretation of Section 315(b) and its determination whether to apply the one-year statutory bar in a particular proceeding are not subject to judicial review on appeal.⁴ Although many of the cases that were vacated and remanded by *Thryv* have yet to be decided on remand, the case confirms it is critical that petitioners timely file their petitions before the one-year statutory bar deadline.

In *Varian Medical Sys., Inc., v. Best Medical Int'l, Inc.*,⁵ the PTAB was confronted with the question of whether to apply Section 315(b)'s one-year statutory bar to a situation where a legal assistant of petitioner's counsel mistakenly uploaded a wrong document in place of the petition, and thus, no petition was filed before the one-year statutory bar date. The PTAB applied Section 315(b) and found the petition statutorily barred. The PTAB rejected the petitioner's attempts to rely on 37 CFR § 42.104(c) as a means to correct the petition without losing the initial filing date.

The petitioner was served with a complaint alleging infringement on October 18, 2018. Exactly one year later on October 18, 2019, and at 11:49 pm ET, petitioner's counsel forwarded their legal assistant the petition to be filed in support of the IPR. At 11:51 pm ET the same day, the legal assistant mistakenly filed a duplicate copy of the power of attorney instead of the correct petition document. Petitioner's counsel noticed the mistake three days later. Petitioner thus failed to file the petition for IPR within Section 315(b)'s one-year statutory bar timeframe.

Petitioner sought leave to file the correct petition document under 37 CFR § 42.104(c), which permits motions to correct "clerical or typographical mistake *in the petition*" without losing the petition's filing date.⁶ As support for its motion, the petitioner cited a prior PTAB decision in *ABB Inc. v. ROY-G-BIV Corp.*, where a single judge held that the filing of a wrong petition constitutes a clerical error that may be corrected under Rule 104(c).⁷ In response, the patent owner argued that Rule 104(c) did not apply because its plain language refers to issues found "*in the petition*," whereas the petitioner here failed to timely file any petition in the first instance.⁸

The PTAB agreed with the patent owner finding that Rule 104(c) did not apply under "the particular facts of this case involving no timely filed petition. . . ."⁹ The PTAB distinguished the decision in *ROY-G-BIV* because there the petitioner had filed a petition in support of the IPR within the statutory timeframe, albeit the wrong petition. In the case at hand, the petitioner failed to file *any* petition, and, therefore, there was no mistake "in the petition" to correct under Rule 104(c).¹⁰

The PTAB's decision illustrates the dangers in waiting until the last day of the one-year statutory bar to file a petition, and the importance of double checking the filed documents on the PTAB's website to ensure that the petition and its supporting documents were correctly filed before the one-year statutory bar is triggered. Understanding and being aware of PTAB decisions interpreting provisions surrounding the institution of IPRs, including Section 315(b), is likely going to become ever more critical following the US Supreme Court's holding in *Thryv, Inc v. Click-To-Call Techs., LP*.

⁴ No. 18-916, 2020 WL 1906544, at *8, ___ S. Ct. ___ (U.S. Apr. 20, 2020).

⁵ IPR2020-00075, Paper 13 (May 1, 2020).

⁶ 37 CFR § 42.104(c) (emphasis added).

⁷ IPR2013-00063, Paper 21 at 6-7 (PTAB Jan. 16, 2013).

⁸ IPR2020-00075, Paper 8 (November 27, 2019).

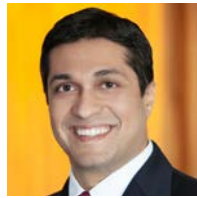
⁹ *Id.*, Paper 13 at 7.

¹⁰ *Id.*

FEDERAL CIRCUIT: PTAB'S DETERMINATION OF REAL PARTY IN INTEREST IS BARRED FROM REVIEW



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In a recent opinion in *ESIP Series 2, LLC v. Puzhen Life USA, LLC*, the US Court of Appeals for the Federal Circuit determined that 35 USC 314(d), which bars appellate review of US Patent and Trademark Office decisions to institute an inter partes review, includes determinations relating to the identification of real parties in interest. This continues a series of judicial decisions that have defined which aspects of Patent Trial and Appeal Board decisions relating to inter partes review may be considered on appeal.

The statutes governing the institution of inter partes review (IPR), post-grant review (PGR), and covered business method (CBM) proceedings before the Patent Trial and Appeal Board (PTAB) of the US Patent and Trademark Office (PTO) require that a petition for IPR, PGR, or CBM “may be considered only if . . . the petition identifies all real parties in interest.”¹ Failure to identify all real parties in interest results in the denial of a petition or the dismissal of the proceeding.

In *ESIP Series*,² the Federal Circuit referenced *Cuozzo Speed Techs., LLC v. Lee*,³ in which the US Supreme Court held that the Federal Circuit is barred from “reviewing [PTAB] decisions concerning the ‘particularity’ requirement under § 312(a)(3)” in instituting an IPR proceeding, and the Supreme Court’s recent decision in *Thryv, Inc. v. Click-to-Call Techs., LP*, which said that PTAB decisions relating to the time bar set forth in 35 USC § 315 are also not reviewable on appeal.

Based on these two decisions and because the patent owner’s “contention that the Board failed to comply § 312(a)(2) is ‘a contention that the agency should have refused to institute an inter partes review,’” the Federal Circuit found “no principled reason why preclusion of judicial review under § 314(d) would not extend to a [PTAB] decision concerning the ‘real parties in interest’ requirement of § 312(a)(2).”⁴

¹ 35 U.S.C. §§ 312(a)(2) & 322(a)(2).

² *ESIP Series 2, LLC v. Puzhen Life USA, LLC*, No. 2019-1659 (Fed. Cir. 2020).

³ 136 S. Ct. 2131 (2016).

⁴ *ESIP Series* at 12.

Notably, the PTAB does not always decide the issue of whether a petition adequately identifies all real parties in interest at the institution stage of a proceeding, as there have been instances where the PTAB instituted a petition but allowed additional discovery during the proceeding relating to real-party-in-interest issues.⁵ These decisions may lead to a post-institution determination related to real party in interest, as was the case in this IPR between Puzhen Life and ESIP Series 2.⁶

While the Federal Circuit's articulation of the rule in *ESIP Series* applies to decisions at the institution stage, it appears that the PTAB's findings related to real parties in interest in final written decisions will also be barred from appellate review.

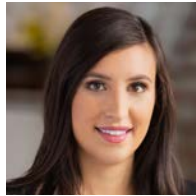
⁵ The PTO's proposed rule to "amend the rules to eliminate the presumption in favor of the petitioner for a genuine issue of material fact created by testimonial evidence submitted with a patent owner's preliminary response when deciding whether to institute an IPR, PGR, or CBM review" may impact whether the PTAB will be prepared to institute proceedings if presented with questionable real-party-in-interest information. See PTAB Rules of Practice for Instituting on All Challenged Patent Claims and All Grounds and Eliminating the Presumption at Institution Favoring Petitioner as to Testimonial Evidence, 85 Fed. Reg. 31728 (proposed May 27, 2020).

⁶ *Puzhen Life USA, LLC v. ESIP Series 2, LLC*, IPR2017-02197, Paper 24 (determining that petitioner's identification of real parties in interest was not incomplete); see also, e.g., *Atlanta Gas Light Co. v. Bennett Regulator Guards*, IPR2013-00453, Paper 88 (vacating institution decision and terminating IPR proceeding after determining that all real parties in interest were not identified).

FEDERAL CIRCUIT EMPHASIZES ROLE OF COMMON SENSE IN OBVIOUSNESS ANALYSIS



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In *B/E Aerospace, Inc. v. C&D Zodiac, Inc.*, published June 26, the US Court of Appeals for the Federal Circuit affirmed a final written decision of the US Patent and Trademark Office's Patent Trial and Appeal Board, holding that the PTAB's reliance on common sense when invalidating claims for obviousness was proper because it was accompanied by reasoned analysis and evidentiary support.

B/E Aerospace (B/E) owned two patents, US Patent No. 9,073,641¹ (the '641 patent) and US Patent No. 9,440,742² (the '742 patent), both directed to space-saving modifications to aircraft walls enclosing lavatories, closets, and galleys. Claim 1 of the '641 patent, which is representative of the challenged claims, discloses a "first recess" to accommodate the seat back of a passenger seat and a "second recess" to receive the aft-extending seat support. C&D Zodiac, Inc. (Zodiac) challenged B/E's claims as obvious in a petition requesting inter partes review (IPR).³

Zodiac's petition originally asserted two grounds of unpatentability. The Patent Trial and Appeal Board (PTAB or Board) instituted on both grounds. Zodiac requested a partial adverse judgment during the proceeding, which the Board granted. The only instituted ground left was Zodiac's assertion that the "Admitted Prior Art"⁴ and US Patent No. 3,738,497 to Betts would make it obvious to one skilled in the art to modify an aircraft wall to accommodate multiple aft-extending portions of a passenger seat. The PTAB agreed with Zodiac, and stated that it reached its obviousness conclusion through a "traditional approach" and a "common sense" approach.⁵

First, the Board found that creating a recess in the wall to receive the seat support was an obvious solution to a known problem (maximizing space in an aircraft). The Board relied on the expert testimony of Mr. Anderson, in which he opined that the addition of a second recess "is nothing more than the application of a known technology (i.e., Betts) for its intended purpose with a predictable result (i.e., to position the seat as far back as possible)."⁶

¹ C&D Zodiac, Inc. v. B/E Aerospace, Inc., No. IPR2017-01275 at 10 (Oct. 23, 2018).

² US Patent No. 9073641.

³ US Patent No. 9440742.

⁴ "Admitted Prior Art" was defined in Zodiac's IPR petition as certain portions of the challenged patents, including Figure 1. See '641 patent at 1:65-67; B/E Aerospace, Inc. v. C&D Zodiac, Inc., No. 19-1935 at 4 (Fed. Cir. June 26, 2020).

⁵ B/E Aerospace, No. 19-1935 at 6 n.2.

⁶ No. IPR2017-01275 at 18, 23 (Oct. 23, 2018).

Second, the Board found that Zodiac established a strong case of obviousness based on the Admitted Prior Art and Betts, *coupled with common sense* and the knowledge of a person of ordinary skill in the art. The Board again relied on Mr. Anderson's testimony; specifically, that recesses configured to receive seat supports "were known in the art" and that "it would have been a matter of common sense" to incorporate a second recess in the Admitted Prior Art/Betts combination.⁷

At the US Court of Appeals for the Federal Circuit, the parties did not dispute that Betts disclosed the "first recess." B/E, however, challenged the PTAB's finding with respect to the "second recess" because neither Betts nor the Admitted Prior Art discusses a claim limitation of a "second recess." B/E Aerospace further argued that the PTAB erred in its decision because it relied on an "unsupported assertion of common sense to fill a hole in the evidence formed by a missing limitation in the prior art."⁸ The Federal Circuit, however, did not accept this argument and cited multiple cases discussing use of the common sense approach in an obviousness analysis.

One such case the Federal Circuit cited was *Arendi S.A.R.L. v. Apple Inc.*, where the court recognized that courts must "consider common sense, common wisdom, and common knowledge in analyzing obviousness."⁹ Additionally, in *KSR v. Teleflex*, also cited by the Federal Circuit in this case, the US Supreme Court held that "rules that deny factfinders recourse to common sense" are inconsistent with the case law.¹⁰

Moreover, the Federal Circuit cited *Perfect Web Techs, Inc. v. InfoUSA, Inc.* and found B/E's claimed invention to be simple. In *Perfect Web*, the court held that when a missing claim limitation simply involves repetition of an existing element, then reasoned invocation of common sense to supply the missing claim limitation is appropriate.¹¹ Here, the missing claim limitation (second recess) was merely a repetition of another claim element (first recess) that was clearly disclosed in the prior art. Therefore, the Court determined that B/E's second recess fits squarely within the standard set by *Perfect Web*.

B/E's second basis for appeal was that the PTAB's consideration of three drawings that were not prior art "patents or printed publications" as required under 35 USC § 311(b) was erroneous. The Federal Circuit, however, dismissed this argument because the PTAB relied on the analysis of expert testimony in combination with the Admitted Prior Art and Betts, not the design drawings, in both of its two "approaches" for finding the challenged claims obvious. For this reason, the court found that there was substantial evidence used to support the Board's determination of obviousness independent of the design drawings and declined to reach the issue of whether the design drawings were considered in violation of Section 311(b).

Ultimately, the Federal Circuit found no error in the Board's conclusion that under both approaches the PTAB employed, "it would have been obvious to further modify the Admitted Prior Art/Betts combination to include the claimed 'second recess' to receive passenger seat supports."¹²

This opinion is another example of the critical role common sense can play in the obviousness inquiry.

⁷ *Id.* at 26.

⁸ B/E Aerospace, No. 19-1935 at 10.

⁹ *Arendi S.A.R.L. v. Apple Inc.*, 832 F.3d 1355, 1361 (Fed. Cir. 2016); B/E Aerospace, No. 19-1935 at 11.

¹⁰ *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 421 (2007); B/E Aerospace, No. 19-1935 at 11.

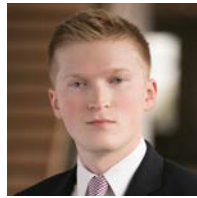
¹¹ *Perfect Web Techs, Inc. v. InfoUSA, Inc.*, 587 F.3d 1324, 1330 (Fed. Cir. 2009); B/E Aerospace, No. 19-1935 at 11-12.

¹² No. IPR2017-01275 at 22.

FEDERAL CIRCUIT: SECTION 101 IS FAIR GAME FOR AMENDED CLAIMS IN INTER PARTES REVIEW



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The US Court of Appeals for the Federal Circuit recently ruled that the Patent Trial and Appeal Board correctly refused to substitute proposed amended claims for being directed to ineligible subject matter under 35 USC § 101.

In *Uniloc 2017 LLC v. Hulu, LLC*, the US Court of Appeals for the Federal Circuit upheld a precedential decision issued by the US Patent and Trademark Office’s (USPTO’s) Patent Trial and Appeal Board (PTAB), which held that when a patent owner proposes amended or substitute claims during an inter partes review (IPR), the PTAB may consider grounds of unpatentability that could not have been raised in the initial IPR petition—namely, patent eligibility under 35 USC § 101.¹

“During an [IPR] . . . , the patent owner may file [one] motion to amend the patent,” and by that motion “[c]ancel any challenged patent claim,” and “[f]or each challenged claim, propose a reasonable number of substitute claims.”² The statute provides that any proposed substitute claim “may not enlarge the scope of the claims of the patent or introduce new matter.”³ In the decision below, patent owner Uniloc attempted to amend challenged claims of its US Patent No. 8,566,960 (the ‘960 patent) by substituting new independent claims that it argued were patentable in spite of the grounds of unpatentability proposed by Hulu, the petitioner, in its IPR petition.

The challenged claims of the ‘960 patent relate to technology that allows a software owner to install its software and use it on multiple devices at the same time.⁴ The ‘960 patent discloses that this can be accomplished using components such as a “processor module” and a “memory module.”⁵ In response to Uniloc’s motion to amend the challenged claims, Hulu argued that the challenged claims—as amended—were directed to ineligible subject matter under Section 101. Rather than challenge this argument, Uniloc argued in its reply only that Hulu should not be permitted to make the argument.

¹ See 35 U.S.C. § 311(b) (providing that an IPR petition may “request to cancel as unpatentable [one] or more claims of a patent only on a ground that could be raised under [Section] 102 or 103”).

² 35 U.S.C. § 316.

³ *Id.* at § 316(d)(3).

⁴ See ‘960 patent at 1:331-34, 40-41.

⁵ *Id.* at 7:46-47, 7:36-47.

In light of this record—and the fact that Uniloc had not substantively responded to Hulu’s Section 101 arguments—the PTAB concluded that Hulu had shown by a preponderance of the evidence that Uniloc’s proposed substitute claims were directed to ineligible subject matter and denied the motion to amend. Uniloc requested a rehearing of that decision, but by that time the Federal Circuit had already affirmed the invalidity of the original claims through an appeal of a related district court decision—leaving the motion to amend as Uniloc’s only avenue to defend the validity of the ’960 patent.

The PTAB denied Uniloc’s request for rehearing, holding that Section 101 may properly be considered when considering the patentability of proposed substitute claims, even though the underlying IPR petition could not legally raise such grounds of unpatentability. That decision was then designated by the PTAB as precedential. Uniloc then appealed that denial of rehearing to the Federal Circuit.

On appeal, and after invitation by the Federal Circuit to address the issue, Hulu raised a new argument: because the original claims of the ’960 patent had already been invalidated through district court proceedings, neither the PTAB nor the Federal Circuit had jurisdiction and the case was moot. Hulu argued that because Uniloc’s motion to amend was “contingent” on the PTAB finding the claims unpatentable, it could not be classified as being raised “during” the pendency of the IPR. Thus, when the original claims were invalidated and that decision was affirmed by the Federal Circuit, Hulu argued that the PTAB was divested of any authority to issue a certificate of correction or otherwise allow Uniloc to substitute amended claims.

The majority of the Federal Circuit panel disagreed with this new argument. First, it noted that because Hulu did not raise these arguments in response to Uniloc’s request for rehearing or in a cross-appeal to the Federal Circuit, these arguments had been waived. It also noted that the PTAB’s statutory authority is not the type of jurisdictional question—like subject matter jurisdiction—that can never be waived and may be raised at any time.⁶ Second, on the merits, the majority found no authority for treating a contingent motion to amend as any different from other forms of alternative pleading. Judge O’Malley’s dissenting opinion disagreed, focusing on the word “substitute” in the statute.⁷ The dissent would have found the appeal moot because—given that the original claims had been invalidated—there was nothing to “substitute.”

Turning to the merits of Uniloc’s appeal, whether Section 101 arguments may be raised in opposing motions to amend, the Federal Circuit focused on the text, structure, and legislative history of the IPR statutes. Section 318, for example, directs that the PTAB “issue a final written decision with respect to the patentability of . . . any new claim added under [Section] 316(d).”⁸ The panel cited previous Federal Circuit decisions as establishing that Section 101 qualifies as a question of “patentability.”⁹

The Federal Circuit’s opinion also notes that the legislative history indicated that reexamination proceedings allow the USPTO to reconsider issued claims in light of new information not available at the time of initial examination. Proposed substitute claims, on the other hand, have not gone through any previous examination—including for patentability under Section 101. The opinion notes USPTO’s intervenor brief, which explains that “if a patent owner seeking amendments in an IPR were not bound by § 101 and § 112, then in virtually any case, it could overcome prior art and obtain new claims simply by going outside the boundaries of patent eligibility and the invention described in the specification.”¹⁰

⁶ See *PGS Geophysical AS v. Iancu*, 891 F.3d 1354, 1362 (Fed. Cir. 2018); see also *Acoustic Tech., Inc. v. Itron Networked Solutions, Inc.*, 949 F.3d 1360, 1365 (Fed. Cir. 2020); *Jalbert v. SEC*, 945 F.3d 587, 593-94 (1st Cir. 2019).

⁷ See 35 U.S.C. § 316.

⁸ See 35 U.S.C. § 318(a).

⁹ See *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1330 (Fed. Cir. 2015) (“[B]oth our opinions and the Supreme Court’s opinions over the years have established that § 101 challenges [are] . . . patentability challenges.”); *Aristocrat Techs. Austl. Ltd. v. Int’l Game Tech.*, 543 F.3d 657, 661 (Fed. Cir. 2008) (“It has long been understood that the Patent Act sets out the conditions for patentability in three sections: [Sections] 101, 102, and 103.”).

¹⁰ Intervenor Br. at 25.

CONCLUSION

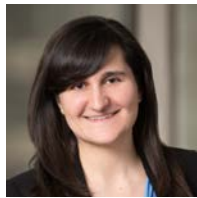
With this opinion, the Federal Circuit has further contributed to a complex set of interplays between the IPR statutes. Although not addressed in the opinion, this decision significantly raises the stakes with respect to the estoppel effects of an IPR final written decision. The statute provides that, following a final written decision, an IPR petitioner may not assert as a defense in district court “any ground that the petitioner raised or reasonably could have raised during that inter partes review.”¹¹ Future patent owners who successfully obtain substitute claims may use this decision to argue that estoppel should apply to all grounds of unpatentability with respect to any amended claims—as the Federal Circuit has now held that *all* grounds of unpatentability, including challenges under Section 101, “could” be raised in response to a motion to amend.

¹¹ 35 U.S.C. § 315(e)(2).

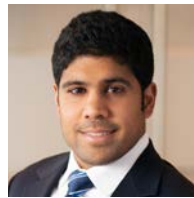
SUPREME COURT WILL REVIEW ARTHREX CASES REGARDING WHETHER PTAB JUDGES ARE CONSTITUTIONAL



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The US Supreme Court has granted certiorari in three cases relating to the US Court of Appeals for the Federal Circuit’s controversial October 2019 decision in *Arthrex, Inc. v. Smith & Nephew, Inc.* In *Arthrex*, the Federal Circuit held that the statutory scheme governing administrative patent judges (APJs) of the Patent Trial and Appeal Board (PTAB) is in violation of the Appointments Clause of the US Constitution. The Supreme Court consolidated the three cases and agreed to consider two of the three questions set forth in a July 22, 2020 memorandum of the United States: (1) whether APJs are properly appointed, and (2) if they are not properly appointed, whether removing employment protections corrects the defect.

BACKGROUND

On October 31, 2019, the Federal Circuit shook up the patent world when it issued its opinion in *Arthrex, Inc. v. Smith & Nephew, Inc.* holding that the [appointment of APJs to the PTAB is unconstitutional](#).¹ The Federal Circuit analyzed whether APJs are considered “principal officers,” who must be confirmed by the US Senate, or “inferior officers,” who need not be confirmed under the Appointments Clause of Article II of the US Constitution.² Ultimately, the Federal Circuit assessed three factors pertaining to the power of APJs versus that of the appointed officials who direct them: (1) how APJs’ work is reviewed, (2) how APJs are otherwise supervised, and (3) how APJs can be removed from office.³

The Federal Circuit determined that the first factor regarding review of APJs’ work and the third factor regarding removal of APJs both weighed in favor of categorizing the APJs as principal officers, while the second factor regarding supervision of the APJs weighed in favor of them being inferior officers.⁴ Thus, on balance, the Federal Circuit held that APJs qualify as principal officers, and their appointment violates the Appointments Clause of the US Constitution.⁵

¹ 941 F.3d 1320 (Fed. Cir. 2019), cert. granted sub nom. *United States v. Arthrex, Inc., et al.*, No. 19-1434, 2020 WL 6037206 (U.S. Oct. 13, 2020), and cert. granted sub nom. *Smith & Nephew, Inc., et al. v. Arthrex, Inc., et al.*, No. 19-1452, 2020 WL 6037207 (U.S. Oct. 13, 2020), and cert. granted sub nom. *Arthrex, Inc. v. Smith & Nephew, Inc., et al.*, No. 19-1458, 2020 WL 6037208 (U.S. Oct. 13, 2020).

² *Arthrex*, 941 F.3d at 1328.

³ *Id.* at 1329-1335.

⁴ *Id.*

⁵ *Id.* at 1335.

Despite this holding, the Federal Circuit declined to take the drastic step of invalidating the entirety of the Leahy-Smith America Invents Act (AIA).⁶ Instead, the court severed the portion of the statute providing removal protections to APJs.⁷ By doing so, the court held that APJs are “inferior officers,” and thus can continue performing their role without violating the Appointments Clause.⁸

As a result of the *Arthrex* decision, the Federal Circuit vacated more than 100 PTAB decisions and remanded the cases back to the PTAB for further proceedings to be conducted before newly designated APJ panels. These remanded cases were limited to those with PTAB decisions that predated the *Arthrex* decision and where the Appointments Clause challenge was properly preserved by the parties raising it before or in opening briefs.

Included in this list of cases was the Federal Circuit’s January 31, 2020, nonprecedential opinion in *Polaris Innovations Ltd. v. Kingston Technology Co., Inc.* In *Polaris*, the Federal Circuit issued a short decision vacating the PTAB’s determination and remanding the case back to the PTAB in view of *Arthrex*.⁹ Notably, Judge Hughes, joined by Judge Wallach, included a separate concurring opinion criticizing the decision in *Arthrex*, including arguing that (1) APJs are inferior officers, and (2) the remedy of *Arthrex* is potentially inconsistent with congressional intent.¹⁰

Despite the apparent divide among some members of the Federal Circuit, the *Arthrex* parties’ petition for rehearing en banc was denied on March 23, 2020.¹¹ In the concurrence opinion authored by Judge Moore, and joined by Judges O’Malley, Reyna, and Chen, Judge Moore noted that “[b]ecause the APJs were constitutionally appointed as of the implementation of the severance, inter partes review decisions going forward were no longer rendered by unconstitutional panels.”¹² Thus, *Arthrex*’s impact was deemed limited to those PTAB decisions that issued pre-*Arthrex*.

This denial for rehearing en banc and the *Arthrex*-related remand of more than 100 PTAB final written decisions prompted the chief APJ to issue a general order on May 1, 2020, holding all cases remanded in light of *Arthrex* “in administrative abeyance until the Supreme Court acts on a petition for certiorari or the time for filing such petitions expires.”¹³ The chief APJ noted that such action was “[t]o avoid burdening the [US Patent and Trademark] Office and the parties until all appellate rights have been exhausted.”¹⁴

SUPREME COURT PETITIONS FOR WRIT OF CERTIORARI

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*. On June 25, 2020, the government filed its petition, which asked the Supreme Court to consider (1) whether APJs at the PTAB are principal officers or inferior officers, and (2) whether the court erred by reaching the Appointments Clause issue because the issue was forfeited by not being raised before the PTAB.¹⁵ The government’s petition also requested that the Court review the Federal Circuit’s decision in *Polaris* since it also addresses the Appointments Clause issue.¹⁶

⁶ *Id.* at 1338-1340.

⁷ *Id.*

⁸ *Id.*

⁹ 729 F. App’x 820 (Fed. Cir. 2020).

¹⁰ *Id.*

¹¹ *Arthrex, Inc. v. Smith & Nephew, Inc.*, 953 F.3d 760, 761 (Fed. Cir. 2020).

¹² *Id.* at 764.

¹³ General Order in Cases Remanded Under *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019).

¹⁴ *Id.*

¹⁵ Cert. Pet. No. 19-1434 (June 25, 2020).

¹⁶ *Id.*

Smith & Nephew followed a few days later with its petition on June 29, which also asked the Supreme Court to review the *Arthrex* decision and consider whether APJs are principal officers or inferior officers under the Appointments Clause.¹⁷ *Arthrex* then filed its petition on June 30, which agreed with the Federal Circuit's decision in *Arthrex* that APJs are principal officers, not inferior officers, but took issue with the court's proposed severance remedy.¹⁸ In its petition, *Arthrex* asked the Supreme Court to consider whether the severance remedy is (1) consistent with congressional intent and (2) sufficient to render APJs inferior officers.

On June 30, Polaris also filed its petition asking the Supreme Court to review the Federal Circuit's holding in Polaris and consider (1) whether severance of the tenure protections of the APJs was unavailable to the *Arthrex* court to remedy the violation of the Appointments Clause because Congress would have maintained such protection for APJs, and (2) whether the *Arthrex* decision's removal of APJ tenure protections is insufficient to cure the Appointments Clause violation.¹⁹

The United States filed a memorandum on July 22 requesting that if the Court grants its petition, it also grant the petitions filed by all of the private parties, including *Polaris*; consolidate the cases; and direct the parties to address a common set of questions:

1. Whether, for purposes of the Appointments Clause, U.S. Const. Art. II, § 2, Cl. 2, APJs of the US Patent and Trademark Office are principal officers who must be appointed by the president with the Senate's advice and consent, or inferior officers whose appointment Congress has permissibly vested in a department head.
2. Whether, if APJs are principal officers, the court of appeals properly cured any Appointments Clause defect in the current statutory scheme prospectively by severing the application of 5 USC § 7513(a) to those judges.
3. Whether the court of appeals in *Arthrex* erred by adjudicating an Appointments Clause challenge that had not been presented to the agency.²⁰

On October 13, 2020, the Supreme Court granted certiorari for the petitions filed by the US government, Smith & Nephew, and *Arthrex*; consolidated the three cases; and limited the questions it would address to the first two questions from the government's July 22 memorandum, set forth above. Despite *Polaris*'s petition being listed as linked with these other three petitions on the Court's website, and its overlapping issues with the *Arthrex*-related petitions, the Supreme Court declined to consolidate it with the other three petitions. Instead, the *Polaris* petition remains pending before the Court.

CONCLUSION

Due to the practical and legal significance of the Federal Circuit's *Arthrex* decision, culminating in the administrative abeyance of all cases remanded under *Arthrex*, the grant of certiorari should not be surprising to most patent practitioners. If the Supreme Court ultimately finds that APJs are constitutionally appointed or finds the Federal Circuit's remedy is sufficient to resolve any constitutional concerns, then the impact of the ruling should be rather narrow and affect only those cases currently held in administrative abeyance. However, should the Court hold that APJs are not constitutionally appointed and no remedy exists, short of congressional intervention, the impact of this decision could potentially be widespread—and open a floodgate of challenges to the constitutionality of any decisions issued by the PTAB.

¹⁷ Cert. Pet. No. 19-1452 (June 29, 2020).

¹⁸ Cert. Pet. No. 19-1458 (June 30, 2020).

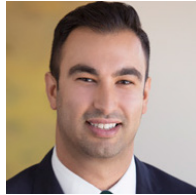
¹⁹ Cert. Pet. No. 19-1459 (June 30, 2020).

²⁰ Memorandum of United States, Pet. Nos. 19-1452, 1458, 1459 (July 22, 2020).

USPTO CODIFIES BURDEN OF PERSUASION RULES FOR AIA AMENDMENTS AT THE PTAB



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It has been argued that the Patent Trial and Appeal Board (PTAB or Board) cannot engage in rulemaking through decisions made by its administrative patent judges (APJs), even if those decisions are made precedential, as APJs are not Article III judges. To address this potential issue, the US Patent and Trademark Office (USPTO) continues its trend to codify case precedent in rules, as authorized by Congress (e.g., via the Administrative Procedures Act).

The most recent example is the USPTO's recent codification of the burdens of persuasion for substitute claims proposed in motions to amend. On December 18, the USPTO issued a final rule allocating the burdens of persuasion on motions to amend in America Invents Act (AIA) proceedings before the Board. Under this rule, a “**patent owner** bears the burden of persuasion to show, by a preponderance of the evidence, that the motion to amend complies with” certain statutory and regulatory requirements, while a “**petitioner** bears the burden of persuasion to show, by a preponderance of the evidence, that any proposed substitute claims are unpatentable.”¹

When the AIA came into effect in 2011, the USPTO required patent owners to show the patentability of proposed substitute claims in a motion to amend. But the US Court of Appeals for the Federal Circuit struck down this requirement in *Aqua Products, Inc. v. Matal*, 872 F.3d 1290 (Fed. Cir. 2017), by holding that, in the absence of USPTO rulemaking, the burden of proving the unpatentability of substitute claims proposed in a motion to amend could not be placed on the patent owner.² Ever since, the petitioner has carried the burden of unpatentability.

The USPTO further revised the rules of practice to clarify that the Board “may, in the interests of justice, exercise its discretion to grant or deny a motion to amend for reasons supported by readily identifiable and persuasive evidence of record in the proceeding.”³ However, the “readily identifiable and persuasive evidence” may only be made of record in limited circumstances including (i) evidence in a related proceeding before the USPTO, and (ii) evidence that a district court can judicially notice.⁴ The USPTO anticipates that this Board discretion will be limited to rare circumstances. For example, the discretion may allow the Board to address situations in which it would be unjust to deny a motion to amend for a procedural defect.

¹ 85 Fed. Reg. 82923, 82935 (Dec. 21, 2020).

² *Id.* at 82924.

³ *Id.*

⁴ *Id.*

Notably, the revised rules are consistent with *Aqua Products* as well as the guidance set forth in recently designated precedential Board decisions, like *Lectrosonic* and *Hunting Titan*. For instance, *Hunting Titan* found that “[the] Office [can] step in if there is a clear failure in that system.” *Hunting Titan*, IPR2018-00600, Paper 67, at 11 (PTAB July 6, 2020) (precedential). Should the Board “step in,” it has the ability to raise a ground of unpatentability a petitioner has not advanced or has insufficiently developed.”⁵

Although the USPTO’s revised rules of practice are intended to ensure predictability and certainty in the Board’s treatment of substitute claims proposed in a motion to amend, their full impact has yet to be seen. Until then, patent owners and petitioners should take practical steps to ensure that they satisfy their respective burdens of proof.

⁵ *Id.* See also *Lectrosomics*, IPR2018-01129, Paper 15, at 5-6 (PTAB Feb. 25, 2019) (precedential).

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