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Post-Grant Watch

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In the wake of recent decisions by the Supreme Court and Federal Circuit, the PTAB is continuing to implement a number of changes to post-grant proceedings. Our goal is to keep you informed of these major post-grant decisions and provide pointers on how you can better position yourself and your clients for success at the PTAB.

06.14.18 – PTAB PROVIDES GUIDANCE ON MOTIONS TO AMEND: DESIGNATES WESTERN DIGITAL INFORMATIVE

In *Western Digital*—recently designated as "informative"—the Board provided guidance on how it will handle motions to amend in the wake of the Federal Circuit's decision in *Aqua Products*. The decision discusses eight aspects of motions to amend, which are summarized below.

- **Contingent Motions to Amend**: Motions to amend can cancel or propose substitute claims. While a request to cancel will not be treated as contingent, a request to substitute claims will ordinarily be treated as contingent, meaning the motion will only be considered if the original claim is found unpatentable. "A patent owner should adopt a claim-by-claim approach to specifying the contingency of substitution, e.g., which claim for which claim and in what circumstance."
- **Burden of Persuasion**: The burden of persuasion lies with the petitioner to show that any proposed substitute claim is unpatentable by a preponderance of the evidence. But in the case where the petitioner ceases to participate in a proceeding (e.g., post settlement), the Board may still find substitute claims unpatentable based on any evidence in the record.
- **Reasonable Number of Substitute Claims**: A patent owner may present a "reasonable" number of substitute claims for each challenged claim. There is a presumption that one substitute claim is a reasonable number. The patent owner, however, can rebut this presumption by showing a need for multiple substitute claims for the same challenged claim.
- **Respond to a Ground of Unpatentability Involved in the Trial**: Any proposed amendment must respond to a ground of unpatentability involved in the post-grant proceeding (e.g., add a novel and non-obvious feature or combination to avoid the prior art). The Board, however, will not require that "every word added to or removed from a claim . . . be solely for the purpose of overcoming an instituted ground." Rather, once a substitute claim includes amendments to address an instituted ground of unpatentability, additional modifications that address, for example, § 101 and/or § 112, will be permitted.
- **Scope of the Claims**: Any proposed substitute claim must not enlarge the scope of the claims and cannot add new matter. Thus, a patent owner should show where support for each proposed substitute claim as a whole—not only for features added by amendment—can be found in the earlier-filed disclosure for which the benefit of the filing date of the earlier disclosure is sought. This showing must be presented in the motion itself—not in a claim listing—and citations should be made to the original disclosure, as filed, rather than to an issued patent.

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- **Claim Listing**: A motion to amend must be accompanied by a claim listing, which reproduces each proposed substitute claim with a new claim number. Changes to the original claims must be shown, and while no particular format is required, brackets to indicate deleted text and underlining to indicate added text is suggested. The claim listing may be filed as an appendix and will not count toward any page limit, but it must not contain any substantive briefing.
- **Default Page Limits**: A motion to amend and any opposition by the petitioner are each limited to 25 pages. The patent owner's reply is limited to 12 pages. Parties, however, are permitted to submit additional evidence and testimony (e.g., expert declarations, which do not count toward the page limits).
- **Duty of Candor**: Both the patent owner and petitioner have a duty of candor to the Board, requiring them to disclose information material to the patentability of any proposed substitute claims, including information inconsistent with a position advanced by that party during the proceeding. Regarding the patent owner, a prior art reference can be material if it discloses a limitation added in a substitute claim even if the reference does not include the other claim limitations. Regarding the petitioner, information that could provide objective evidence of non-obviousness should be disclosed, if the petitioner is aware of such evidence and it is not already of record in the case.

04.24.18 – SUPREME COURT: IPR PROCEEDINGS CONSTITUTIONAL BUT PTAB MUST RULE ON ALL CHALLENGED CLAIMS

Overview of Decisions: The Supreme Court issued rulings today in both *Oil States* and *SAS Institute*. **In *Oil States*, the Court upheld the constitutionality of IPRs**. In a 7-2 decision authored by Justice Thomas, the majority held:

> "the grant of a patent is a matter involving public rights—specifically, the grant of a public franchise. Inter partes review is simply a reconsideration of that grant, and Congress has permissibly reserved the PTO's authority to conduct that reconsideration. Thus, the PTO can do so without violating Article III [of the Constitution]."

The Court carefully limited the scope of its ruling—"We emphasize the narrowness of our holding"—and indicated it "address[es] only the precise constitutional challenges that Oil States raised here." Interestingly, the Court noted:

> "Oil States does not challenge the retroactive application of inter partes review, even though that procedure was not in place when its patent issued. Nor has Oil States raised a due process challenge. Finally, our decision should not be misconstrued as suggesting that patents are not property for purposes of the Due Process Clause or Takings Clause."

This language leaves open the possibility that certain proceedings could still be found unconstitutional, e.g., proceedings involving a patent that issued prior to passage of the AIA (or perhaps a patent issuing from an application filed prior to the AIA).

The court, however, did place some limits on the PTAB's actions. In *SAS Institute*, the Court issued a 5-4 decision holding that 35 USC § 318(a) mandates that **if the PTAB institutes trial in an IPR, it must issue a final written decision addressing the patentability of every claim challenged in the IPR petition**. Thus, the Court's decision ends the PTAB's prior practice of partial institutions, whereby it routinely instituted trials on a subset of the claims challenged in the petitions.

Practice Pointers: After *Oil States*, petitioners should feel relatively confident that IPRs provide an effective means to challenge the validity of patents. The limitations on the scope of the Court's decision discussed above, however, leave open the possibility for patent owners to challenge the constitutionality of IPRs on other grounds:

- **For patents issuing prior to the passage of the AIA, patent owners should argue that Congress lacked the authority to create this new IPR process to review the PTO's prior grant of a public right**. Specifically, patent owners should argue an IPR proceeding on their patent is unconstitutional because the initial public right (i.e., issuance of the patent) was granted without the reservation that the public right was subject to IPR proceedings.
- The Court's decision also left the door open for patent owners to **challenge the revocation of these public rights as violating the Due Process Clause or Takings Clause**.

SAS Institute also has implications for both patent owners and petitioners.

- **Patent owners should use the Court's holding in *SAS Institute* to broaden the scope of estoppel to a petitioner**. A petitioner is estopped from later challenging the patentability of a claim in a district court proceeding (on certain grounds) when the PTAB issues a final written decision on that claim. But because estoppel only applies to a claim that was the subject of a final written decision, the estoppel provisions did not apply to claims challenged by the petitioner but ultimately not included in the trial (meaning the Board essentially found the claims patentable). With the PTAB's partial institution decisions now forbidden, petitioners should now be estopped from rearguing the patentability of these non-instituted claims in a district court litigation.
- **Petitioners should use the IPR trial as a second chance to convince the PTAB that claims are unpatentable**. Prior to *SAS Institute*, petitioners were not permitted to reargue the unpatentability of non-instituted claims during trial, because those claims were not part of the trial. Now, because the PTAB must institute trial on all or none of the claims, petitioners can use the trial process, e.g., petitioner's reply, to respond to deficiencies in challenges to certain claims identified by the PTAB in the institution decision. Thus, petitioners can now use the trial as a second bite at the apple, much the way patent owners do now with patent owner responses after trial has been instituted.

03.29.18 – PTAB FINDING INDEFINITENESS IN IPR: A BLESSING AND A CURSE

Overview of Decision: In *C&D Zodiac v. B/E Aerospace* (IPR2017-1274), **the Board denied institution of trial in an IPR because it found a claim limitation was indefinite** and, thus, was unable to determine whether the prior art met that limitation (NOTE: The Board had to deny institution because it can institute trial in an IPR only under §§ 102 & 103—not indefiniteness under § 112). The Petitioner requested rehearing and argued that (1) neither the examiner during prosecution nor the IPR experts had any problem understanding the claim language, (2) the same panel previously understood a similar term in other IPRs, (3) neither party addressed the construction of the term in the petition or preliminary response, and (4) the claims fall within the prior art under any construction. None of these arguments persuaded the Board, which ultimately denied the request for rehearing.

The Board made a similar finding a few years ago in *Facebook v. TLI Communications* (IPR2014-00566). There, the Board denied institution of trial because it found a limitation was written as a means-plus-function limitation, but the specification failed to recite sufficient structure for performing the claimed function. Interestingly, in that case, Facebook (and other defendants in a MDL) **used the institution decision to successfully support an indefiniteness argument during the underlying district court litigation.** Thus, although the Board's finding of indefiniteness precluded institution of trial in the IPR, the petitioner still benefited from that finding by using it to invalidate the same patent in district court.

Practice Pointer: The *C&D Zodiac* and *Facebook* decisions make clear that the Board is willing to find indefiniteness *sua sponte*. Thus, both patent owners and petitioners should review the claims in detail to determine where indefiniteness issues *could* potentially exist and take steps in either the petition or preliminary response to preserve their interests.

- Patent Owner: **Offer expert opinion on claim construction**. In *C&D Zodiac*, while the experts opined on whether the prior art taught the indefinite limitation, the experts offered no opinion on the construction of that term. The Board might have ruled differently had the patent owner's expert expressly provided a claim construction. This could be especially helpful when the petitioner's expert fails to address the term so that the record includes testimony from only the patent owner.
- Petitioner: **Use examples from specification to define the minimum scope of a term** . When the scope of a term is somewhat ambiguous, a petitioner can look for guidance from examples in the specification and indicate that the scope of the term at issue must include *at least* the example from the specification, especially when that same example is in the prior art. Additionally, a petitioner could argue that to the extent the term is not indefinite, it must at least include that example. The later approach leaves open the possibility of an indefiniteness finding, which could be persuasive evidence of indefiniteness to a district court.

03.19.18 – JOINDER PERMITS SECOND BITE AT THE APPLE

Overview of Decision: In early 2017, Pfizer filed a petition for IPR challenging a Genentech patent. That petition was initially denied but then instituted after Pfizer requested reconsideration. A few months after Pfizer filed its first petition, a different party—Celltrion—filed a petition for IPR challenging the same Genentech patent on a different ground. Prior to the Board granting Pfizer's request for reconsideration and instituting trial on its first petition, Pfizer filed a second petition substantially identical to the Celltrion petition and requested joinder with the Celltrion trial. The Board ultimately instituted the second Pfizer petition and granted the motion for joinder.

The Board's decision broke from the recent trend denying follow-on petitions by the same petitioner, which began with the Board's landmark decision in *General Plastic*. In doing so, the Board noted that "[t]here is no *per se* rule precluding the filing of follow-on petitions" and that based on the particular facts of the case, "there may be circumstances where multiple petitions by the same petitioner against the same claims of a patent should be permitted." The Board then found that the specific facts warranted both joinder and allowance of Pfizer's follow-on petition. The Board's decision turned on the fact that Genentech was not prejudiced as a result of its decision. Specifically, the Board held that Genetech was not prejudiced because (1) it was already fighting the same ground in the Celltrion trial, and (2) the Board placed Celltrion IPR on the same schedule as the first Pfizer IPR, stripping Pfizer of any opportunity to "strategically stage [its] prior art and arguments in multiple petitions, using our decisions [in Pfizer IPR 1] as a roadmap."

Practice Pointer: The key takeaway from *Pfizer* is that there are certain circumstances, e.g., in the case of joinder, where there is no undue prejudice to the patent owner, in which the Board will depart from *General Plastic* and permit a second petition from the same petitioner.

- Patent Owner: **If settlement is a possibility, act early**. If Genentech settled with Celltrion prior to institution of the second Pfizer petition (which of course isn't always an option), the Board likely would have denied the second Pfizer petition because there would have been no pending trial to join. This situation occurred in IPR2017-01582, Paper 12.
- Petitioner: **Piggyback on other petitions and request joinder**. Where you can prove no undue prejudice to the patent owner, such as in the case of a copied petition and request for joinder, the Board might allow a follow-

on petition. As was the case with Pfizer, this strategy requires a willingness to take a backseat to the lead petitioner's arguments and strategic decisions.

02.08.18 – APPEALING INSTITUTION DECISIONS

Overview of Decision: In *Wi-Fi One, LLC v. Broadcom Corp.*, the U.S. Court of Appeals for the Federal Circuit, sitting *en banc*, held that the **PTAB's determination of whether a petition is time-barred under 35 U.S.C. § 315(b) in a decision to institute is appealable**. In doing so, the CAFC expressly overruled its 2015 decision in *Achates Reference Publishing v. Apple Inc*.

Prior to *Wi-Fi One*, it was generally accepted that PTAB institution decisions are not appealable, because 35 U.S.C. § 314(d) states, "[t]he determination by the Director whether to institute an *inter partes* review under this section shall be final and nonappealable." Guided by the Supreme Court's decision in *Cuozzo*, however, the CAFC noted that there is a strong presumption towards judicial review, which is only overcome when Congress clearly and convincingly indicates an intent to prohibit judicial review.

The Court explained that the express language of § 314(d) limits its application to decisions to institute "under this section." Because § 314 addresses the threshold question of whether the petitioner made a preliminary showing of a "reasonable likelihood" of success, the appeal bar is tied to that determination and questions "closely related" to the threshold inquiry. According to the CAFC, however, a determination of compliance with the time bar under § 315(b) "has nothing to do with the patentability merits or discretion not to institute." Therefore, such a determination is appealable.

Practice Pointer: Now that we know compliance with § 315(b) is appealable, parties unhappy with an institution decision should explore the boundaries of judicial review. With the guidance of *Wi-Fi One*, parties seeking relief from an adverse institution decision should **explain why the determination of the PTAB sought to be reviewed is not "closely related to the preliminary patentability determination or the exercise of discretion not to institute."** Some issues that might be worth pursuing on appeal include:

- **Petitioner's compliance with § 315(a)(1)**, which bars institution of IPR if a petitioner or RPI previously filed a civil action challenging validity of the patent.
- **Petitioner's compliance with § 315(e)(1)**, which bars a petitioner or RPI from filing or maintaining a proceeding at the PTO based on a ground the petitioner raised or reasonably could have raised, following a final written decision.
- **Due process concerns with pre-institution actions**. In *Cuozzo*, the Supreme Court noted a determination of whether "a petition fails to give sufficient notice such that there is a due process problem with the entire proceeding" might be appealable.
- **Any situation in which the PTAB acts outside its statutory limits**. This is another catch-all identified in *Cuozzo*, which gave an example of where the PTAB cancels a claim for indefiniteness under § 112 in an IPR (Note: IPRs are limited to grounds under §§ 102 & 103 in view of patents and printed publications).
- **PTAB's refusal to apply or misapplication of collateral estoppel (i.e., issue preclusion)**. A determination of whether collateral estoppel applies in a situation goes not to the merits of arguments presented in a petition/preliminary response, but rather, as with a § 315(b) challenge, whether a party can even present an argument.

01.11.18 – THE WRITTEN DESCRIPTION REQUIREMENT IN A MOTION TO AMEND

Overview of Decision: In *Aqua Products* the CAFC held that when deciding a motion to amend, the PTAB cannot place the burden of persuasion in establishing the patentability of the proposed substitute claims on a patent owner (PO). The CAFC, nevertheless, affirmed that the **PO does bear the burden of establishing that the requirements of §316(d) are satisfied**, which includes establishing that the new claims are fully supported by the original disclosure, i.e., that the written description requirement is satisfied.

The PTAB recently applied the *Aqua Products* decision in *Bright House Networks, LLC v. Focal IP, LLC* (IPR2016-01261). In that case, the PO attempted to establish support for its proposed claims via a chart filed as an exhibit. The chart included a first column with the proposed claim language and a second column that simply quoted portions of the specification purportedly supporting the claim language. Other than citing to the exhibit, however, the motion to amend contained no further explanation as to how those portions of the specification supported the proposed claims. The PTAB denied the motion, criticizing the PO for failing to address the written description requirement in the motion, and ultimately finding that the **PO did not meet its burden of establishing "how" the proposed claims were supported by the cited portions of the original disclosure.** Interestingly, the petitioner never argued that the PO failed to meet its burden; rather, the PTAB acted *sua sponte* in denying the motion on this ground (Note: the PTAB also denied the motion to amend, independently, because the proposed claims were not patentable over the prior art).

Practice Pointer: The key takeaway from *Bright House Networks* is that both patent owners and petitioners should **take time to evaluate the written description requirement in a motion to amend.** The PTAB's decision to consider written description *sua sponte* shows that it takes this requirement seriously.

- Patent Owner: **Don't just cite to the specification**. Explain "how" those portions of the specification support a proposed claim limitation, especially when word-for-word support does not exist in the specification. If the 25-page limit for the motion is problematic, **cite to expert declarations** to provide more thorough analysis (don't just incorporate the expert declaration by reference).
- Petitioner: Take the time to **evaluate every limitation** to determine whether the PO met its burden.

12.08.17 – GENERAL PLASTIC PROTECTS PATENT OWNERS FROM REPEATED ATTACKS

Overview of Decision: *General Plastic*, IPR2016-01357, provides a much-needed roadmap for how the PTAB will address serial attacks against a patent. There, a petitioner filed a second petition for IPR after the Board denied its previously-filed petition on the same patent. An expanded panel, including the Chief and Deputy Chief Administrative Patent Judges, affirmed the denial of the second petition and enumerated seven factors for determining whether the Board will use its discretion to deny serial petitions directed to the same patent:

1. whether the same petitioner previously filed a petition directed to the same claims of the same patent;
2. whether at the time of filing the first petition, the petitioner knew of, or should have known of, the prior art used in the second petition;
3. whether the petitioner received the patent owner's preliminary response or the Board's institution decision **prior** to filing the second petition;
4. the **length of time** between learning of the prior art used in the second petition and filing the second petition;
5. whether petitioner provides an adequate explanation for the **time period** between the filing of multiple petitions;
6. the finite resources of the Board; and
7. any impact on the Board's requirement to issue a decision within one year.

Practice Pointer: The key takeaway from *General Plastic* is to be especially careful in preparing the first petition because it will be difficult to get a second bite at the apple. Nevertheless, there are times when it will be either desirable or necessary to file a second petition, and in *General Plastic*, the Board acknowledged "there may be circumstances where multiple petitions by the same petitioner against the same claims of a patent should be permitted." If you're filing a second petition:

- **Act quickly to get the second petition on file**. Factors 3-5 indicate the timing of the second petition is critical. This is especially true when filing the second petition before receiving a preliminary response or institution decision on the first petition (factor 3), such as when new prior art is discovered shortly after the first petition is filed.
- **Explain why the art relied on in the second petition was neither known nor should have been known when the first petition was filed**. This is critical if the second petition is filed after receiving either a preliminary response or institution decision on the first petition. Possible arguments include: the patent owner took surprising positions (e.g., on claim construction) in its preliminary response, which were inconsistent with positions taken during prosecution or litigation; a third party prior art search firm provided updated search results after the first petition was filed; or a new/different translation of a foreign reference makes the reference more relevant than initially thought.

12.04.17 – CAREFUL WHEN RECYCLING PRIOR ART FROM PROSECUTION

Overview of Decisions: While recycling prior art cited during prosecution is a challenge because of the Board's discretion under 35 U.S.C. § 325(d), three recent decisions give indications about what works and what doesn't: *Intel Corp. v. Alacritech, Inc*., IPR2017-01392 ("*Intel I*"); *Intel Corp. v. Alacritech*, *Inc*., IPR2017-01393 ("*Intel II*"); and *Telebrands Corp. v. Tinnus Enter., LLC*, PGR2017-00024. In *Intel I* and *II*, the Board instituted trial even though the references relied on in the petition were cited in an information disclosure statement during prosecution. It did so because there was no "specific evidence that either of these references was substantively considered during prosecution alone or in combination." Conversely, in *Telebrands*, the Board denied institution using § 325(d) when the examiner previously considered the same art relied on in the petition and found it did not teach the particular limitation at issue. The Board was not persuaded by the petitioner's argument that the examiner did not have the benefit of its expert declaration, reasoning the "technology here does not appear to be particularly complex." The Board also rejected the petitioner's argument that it proposed a different combination of references, because the petitioner did not establish "the particular combinations at issue here would have made a difference in the Examiner's conclusion."

Practice Pointer: If possible, avoid recycling prior art from prosecution. But if you must:

- **Previously-considered art should not be used in a manner inconsistent with the examiner's findings**. For example, if the examiner found a reference taught limitations A and B but not C, it may be okay to use that reference later as teaching limitations A and B, but a petitioner should not argue the same reference also teaches limitation C.
- **If the petitioner must take a position contradictory to an examiner's findings, the petitioner should carefully explain why the facts of the case require reconsideration of the examiner's findings**. For example, a petitioner could argue it is relying on a different portion of the reference than the portion considered by the examiner. Additionally, a petitioner could argue the complexities of the technology are such that the Office truly could benefit from expert testimony.
- **Point out why a new combination would have made a difference in the examiner's ultimate conclusion**. For example, a petitioner could argue that the primary reference is modified differently in the new combination of references than as proposed by the examiner.

- **Don’t simply substitute a previously-considered reference with one having an identical teaching**. Doing so puts the petition at risk of being denied for relying on art cumulative to that previously considered by the Office.