

THE PTAB REVIEW

April 2016

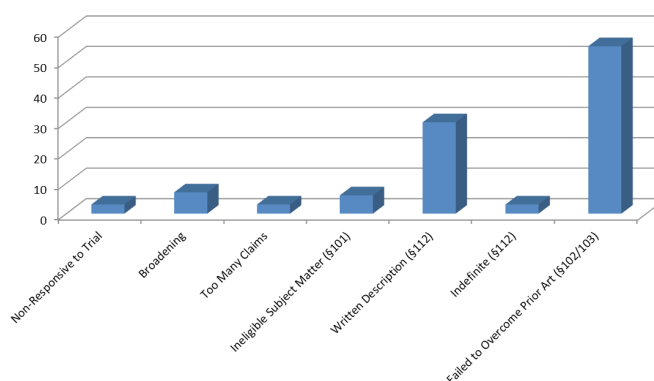
In the four and a half years since the America Invents Act (AIA) was signed into law, the Patent Trial and Appeal Board (PTAB) has emerged among the most active patent litigation jurisdictions in the United States. In fact, PTAB trials are governed by an intricate web of administrative rules, practice guidelines, and ever-changing decisional law. This inaugural issue of *The PTAB Review*, authored by attorneys in the post-grant practice at Wilson Sonsini Goodrich & Rosati, closely follows recent developments in PTAB litigation. Given the rapidly evolving nature of this space, the newsletter—which will be published on a periodic basis as important issues arise—aims to provide timely information on key developments in Patent Office litigation, concise summaries of significant rulings and guidelines, and details on relevant patent dispute trends. We hope you find the publication to be a useful, practical resource.

Please feel free to share *The PTAB Review* with others. If you would like to sign up to receive this or other communications issued by the firm, please click the “Mailing List Signup” link at the bottom of the wsgr.com homepage. If you have suggestions for topics to cover in future newsletters, or questions about any of the contents, please contact a member of the firm’s post-grant practice or your regular WSGR attorney.

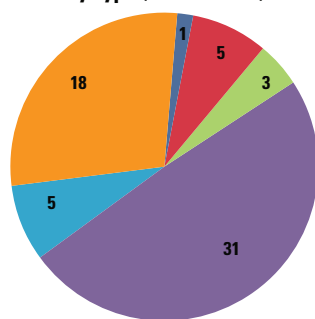
Federal Circuit Marginally Eases the Odds Against IPR Claim Amendments

Patent owners in an *inter partes* review (IPR) have a statutory right to file a motion to “propose a reasonable number of substitute claims.” Although more than 1,000 such motions have been filed in IPRs to date, patent owners have only been successful in approximately six cases. As illustrated to the right from a sample of final written decisions, the most frequent reason cited for denying a motion to substitute claims is failure to establish patentability over the prior art.

Reasons For Denying IPR Amendments



Federal Circuit PTAB Review by Type (2016 to date)



- Covered business method (CBM)
- Examination (Exam)
- Interference (Intf)
- Inter partes review (IPR)
- Ex partes reexamination (RxEP)
- Inter partes reexamination (RxIP)

Source: Docket Navigator

The difficulty in amending claims during IPRs can be attributed in great measure to two rules adopted by the Patent Office: (1) requiring the patent owner to prove patentability of the substitute claims, and (2) requiring the patent owner to do so even for prior art not of record but known to the patent owner. The Federal Circuit recently affirmed both requirements, but held that, in the absence of any allegation of a violation of the patent owner’s duty of candor, the patent owner need not always identify and analyze additional prior art not of record.

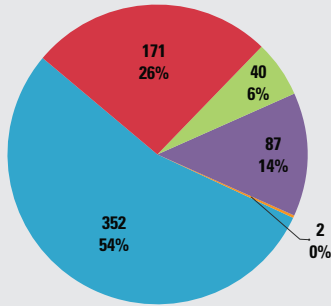
In *Nike, Inc. v. Adidas AG*, the Federal Circuit vacated and remanded the Patent Trial and Appeal Board’s (PTAB’s) denial of Nike’s motion to amend patent claims related to shoe manufacturing. During the IPR, Nike sought cancellation of all original claims and proposed four substitute claims. The PTAB cancelled the original claims, but denied the motion to enter the substitute claims because Nike failed to prove they were patentable over the prior art. On appeal, Nike argued that the patent owner should not have the burden of proof because 35 U.S.C. § 316(e) provides that “In an inter partes review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability.” The Federal Circuit concluded that the rule requiring the patent owner to prove patentability of substitute claims was a permissible exercise of the authority delegated by Congress to set forth both “standards and procedures for allowing the patent owner to move to amend.”

(continued on page 2)

Technology Breakdown of FY16 AIA Petitions Filed

The below chart shows the total number of AIA petitions filed in the current fiscal year through February, as well as the number and percentage of these petitions broken down by technology.

652 Total AIA Petitions in FY 16*
(Technology Breakdown)



- Electrical/Computer - TCs 2100, 2400, 2600, 2800
- Mechanical/Business Method - TCs 3600, 3700
- Chemical - TC 1700
- Bio/Pharma - TC 1600
- Design - TC 2900

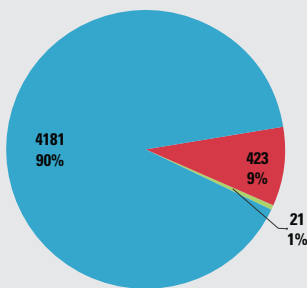
*Data current as of: 2/29/2016

Source: USPTO

Total Number of AIA Petitions Filed

The below chart shows the total number of cumulative AIA petitions filed through February 2016, broken out by trial type (i.e., IPR, CBM, and PGR).

4625 Total AIA Petitions*
Cumulative from 09/16/2012



- Total IPR Petitions
- Total CBM Petitions
- Total PGR Petitions

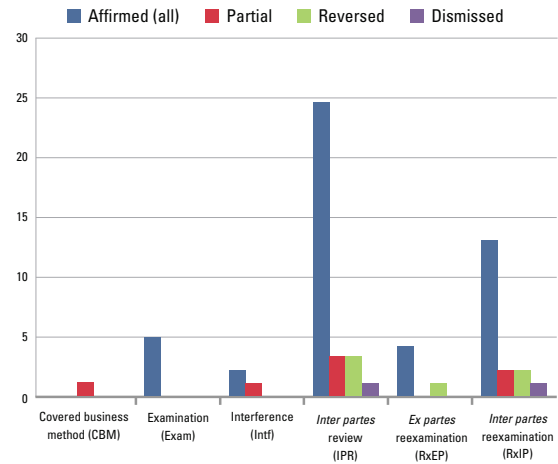
*Data current as of: 2/29/2016

Source: USPTO

The court then considered and rejected the PTAB's conclusion that Nike had failed to demonstrate patentability over the prior art not of record because it "included only a conclusory statement that the proposed claims were patentable over prior art not of record but known to Nike." The court explained that the heart of the requirement regarding prior art not of record is "whether the patent owner has submitted the necessary information to comply with its duty of candor to the office." Because there was no allegation that Nike violated its duty of candor, the court concluded that Nike's conclusory statement "was an improper ground" to deny Nike's motion to amend.

Although the Federal Circuit concluded that there is no absolute requirement for a patent owner to always discuss prior art not of record in order to propose substitute claims, such discussion will often follow because of the patent owner's duty of candor. Moreover, this small victory is unlikely to substantially relieve the difficulty of obtaining claim amendments in an IPR in the face of the patent owner's continued burden of proof for substitute claims.

Federal Circuit PTAB Review by Outcome (2016 to date)



Source: Docket Navigator

U.S. Supreme Court to Review Broadest Reasonable Interpretation of Claims

The U.S. Supreme Court has agreed to review the first *inter partes* review (IPR) ever filed. In *Garmin Int'l, Inc. v. Cuozzo Speed Techs., LLC*, IPR2012-00001, the petitioner challenged all claims of a patent on a speed-limit indicator. The Patent Trial and Appeal Board (PTAB) ultimately held three of the claims unpatentable using the claim construction standard that the U.S. Patent and Trademark Office (USPTO) uses in most of its proceedings. Unlike district courts, the USPTO gives claims their broadest reasonable interpretation (BRI) consistent with their specification. As a recent Federal Circuit decision explained, BRI makes it more likely that a claim will be unpatentable because, for example, it is more likely to cover prior art technology. The theory behind using BRI is that it forces patent applicants and patentees to amend their claims to clarify that they do not cover the prior art. In contrast, district courts cannot amend claims and must presume that the USPTO did its job in issuing the claims; as a result, they use a more forgiving standard of construction.

Cuozzo appealed the PTAB decision to the Federal Circuit. Cuozzo argued that, unlike examiners, the PTAB forces patent owners to file a motion to amend their claims, with the result that it is much more difficult to amend claims at the PTAB. As a practical matter, very few claims have been successfully amended in IPR trials. Cuozzo argued that if the PTAB will not allow patent owners to amend claims easily, then it should not use the BRI standard, which is designed to force clarifying amendments. The Federal Circuit affirmed the PTAB's decision, explaining that it did not think the PTAB amendment practice was very different from the practice in other USPTO proceedings and that the decision to use BRI was reasonable. In some ways, Cuozzo's case was a bad case to test

(continued on page 3)

the issue, since the court agreed with the PTAB that Cuozzo had tried to broaden its claims, which the statute expressly prohibits. Thus, Cuozzo would likely have lost its appeal under any standard. Nevertheless, the case set a precedent that the court has followed in all of its subsequent opinions.

The appeal to the Supreme Court could have profound effects on USPTO practices—and not just at the PTAB. The fact that the Supreme Court has agreed to review the issue at all indicates that it has questions about the soundness of the BRI standard. Because claim amendment practice is not one of the two issues that the Supreme Court agreed to review (and because it is not well presented in this case anyway), the Court might not give much weight to the connection between amending and using BRI. If the Court issues a broad decision, it could affect the patent examining corps' ability to use BRI, as well.

In addition, Congress is looking at BRI. Three pending bills would eliminate BRI in PTAB trials, but would leave in place the ability to amend. The Supreme Court could reach a similar outcome.

The debate over BRI at the PTAB reflects two competing views of what PTAB trials represent. If IPR is a substitute for district court trials, then the PTAB should not use BRI—but it also should not allow claim amendments. If IPR is a substitute for patent reexamination, then the PTAB should use BRI and permit claim amendment. The current PTAB practice does not fit either model: it uses BRI but—practically speaking—does not permit amendment. It is possible that Congress or the Supreme Court could also impose a solution that does not fit either model by allowing amendment, but not BRI. If the Supreme Court decides the merits of the BRI question, whatever outcome it reaches will profoundly affect how the PTAB (and possibly the USPTO as a whole) goes about examining claims.

USPTO Issues Second Round of AIA Rule Changes

Note: The following summary is an abbreviated version of the WSGR Alert issued on April 1, 2016, concerning the USPTO's newest rules governing PTAB trial proceedings under the Leahy-Smith America Invents Act (AIA). The complete version is available in the "Insight" section of wsgr.com.

Overview

New rules governing PTAB trial proceedings are scheduled to take effect on May 1, 2016. The USPTO issued a set of "quick fix" rules in May 2015 aimed at providing "changes of simple scope," including increased page limits for motions to amend and reply briefs. The latest set of rule changes is more substantive and involves significant modifications to AIA post-issuance proceedings. The changes were influenced, at least in part, by comments provided to the USPTO following its 2014 "listening tour."

Some rule changes merely confirm present PTAB practices, such as changes addressing claim construction for expiring claims. Some streamline procedures for handling recurrent issues, like disputes regarding real parties in interest. Still others are substantive and could significantly affect the litigation strategies of either party, particularly patent owners.

2016 AIA Rule Changes

The four main rule changes are outlined below:

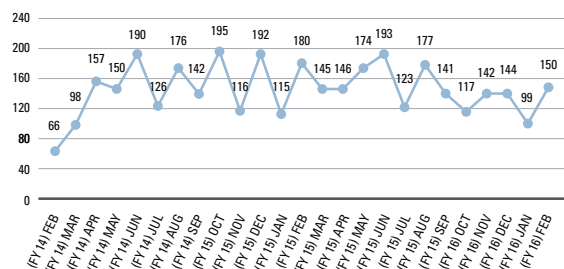
New testimonial evidence with preliminary responses

- The new rule allows patent owners to include testimonial evidence created to support their preliminary response.
- The rule further provides that any material factual disputes created by the submission of new testimonial evidence should be resolved in favor of the petitioner when determining whether trial should be instituted.
- It also provides that a petitioner reply may be appropriate in certain circumstances when new testimonial evidence is submitted.

(continued on page 4)

Total Number of AIA Petitions Filed by Month*

The below graph displays the total number of all petitions filed each month from the effective date of the AIA trial provisions through February 2016.



*Data current as of: 2/29/2016

Source: USPTO

- While the change offers an opportunity for the patent owner to provide evidence that might prevent institution, it also raises expectations and the possibility for waiver.
- Moreover, the rule itself indicates that unless the evidence overwhelmingly supports the patent owner's position, it will not affect the decision on institution.

Rule 11 requirements

- While ethical conduct requirements are already in place for practitioners before the PTAB, the new rule promotes stronger ethical requirements meant to police misconduct.
- The new rule largely tracks that of Rule 11 of the Federal Rules of Civil Procedure, including a Rule 11 style certification on all papers presented to the PTAB, with violations subject to potential sanctions.
- The rule does not change the practice so much as make the current practice explicit and spell out additional consequences for violating the practice.

Claim construction

- The claims of a non-expired patent are construed under the broadest reasonable interpretation (BRI) standard, while expired patent claims are construed according to the *Phillips* standard typically used in district court.
- The new rule confirms that BRI will continue to apply in most circumstances, though the *Phillips* standard will be applied to patents that have not yet expired, but will expire prior to the issuance of a final decision in the proceeding.
- This change accounts for the lack of any practical opportunity to amend the patent claims in such a circumstance.

Length limits of key filings

- The new rules institute a word count, as opposed to a page limit, for major briefings such as petitions and patent owner responses.
- For example, *inter partes* review petitions now have a limit of 14,000 words; previously the limit was 60 pages of double-spaced text.
- Assuming 250 words per page, 14,000 words is roughly 56 double-spaced pages, which reflects an effective reduction in the number of pages.

About Our Post-Grant Practice

The professionals in Wilson Sonsini Goodrich & Rosati's post-grant practice are uniquely suited to navigate the complex trial proceedings at the United States Patent and Trademark Office (USPTO). We have extensive experience before the PTAB, representing clients in numerous new trial proceedings and in countless reexaminations and patent interference trials. Our practice includes professionals with decades of experience at the PTAB, including former PTAB personnel. As the needs of a case may require, our team also collaborates with other WSGR professionals, including district court patent litigators and patent prosecutors, with technical doctorates or other advanced technical degrees. Our core team leverages firmwide intellectual property expertise to provide comprehensive IP solutions for clients that cover strategy, prosecution, licensing, enforcement, and defense.

For more information, please contact:

Michael Rosato
206.883.2529
mrosato@wsgr.com

Richard Torczon
202.973.8811
rtorczon@wsgr.com

Steve Parmelee
206.883.2542
sparmelee@wsgr.com



650 Page Mill Road, Palo Alto, California 94304-1050 | Phone 650-493-9300 | Fax 650-493-6811 | www.wsgr.com

Austin Beijing Boston Brussels Hong Kong Los Angeles New York Palo Alto San Diego San Francisco Seattle Shanghai Washington, DC Wilmington, DE

This communication is provided for your information only and is not intended to constitute professional advice as to any particular situation.
© 2016 Wilson Sonsini Goodrich & Rosati, Professional Corporation. All rights reserved.