

THE PTAB REVIEW

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Federal Circuit Raises “Serious Questions” About PTAB Joinder Practice

In a recent concurrence in *Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co. Ltd.*, two Federal Circuit judges criticized the Patent Trial and Appeal Board’s (PTAB’s) practice of allowing parties and non-parties to join new issues into instituted proceedings, including issues that would otherwise be time-barred.¹ While Judge Dyk’s concurrence (with Judge Wallach joining) declined to decide the issue, he stated that it is “unlikely that Congress intended that petitioners could employ the joinder provision to circumvent the time bar,” whether the request is brought by the same party or new parties.²

Under 35 U.S.C. Section 315(c), “any person who properly files a petition under section 311” may, at the Director’s discretion, “join as a party” to an instituted proceeding. Importantly, such petitions are exempt from subsection (b)’s time-bar of petitions filed more than one year after a complaint is filed. The PTAB’s broad interpretation of the statute has allowed some petitioners to successfully institute review of new patent claims and prior art that would otherwise be time-barred, including those the PTAB had previously declined to institute.

History of PTAB Rulings on Joinder

The legal dispute within the PTAB over Section 315(c) has primarily focused on the definition of “any person”—whether or not a party can join its own already instituted proceeding. In the PTAB’s representative order of *Microsoft Corp. v. Proxyconn, Inc.*, issued in early 2013,³ an expanded panel of five judges permitted the petitioner to join newly asserted patent claims to an already instituted proceeding involving the same parties, the same patent, and the same prior art. However, the panel provided little legal analysis of the statute, simply stating that it allowed for joinder at the Director’s discretion and that granting the petition would “ensure the just, speedy, and inexpensive resolution of a proceeding.”⁴

For several years after *Proxyconn*, the PTAB continued to grant same-party joinder of time-barred issues under Section 315(c), although on a case-by-case basis, usually to join claims newly asserted in the district court litigation.⁵ But it was not until the PTAB’s September 2, 2014, decision in *Ariosa Diagnostics v. Isis Innovation Limited* that the PTAB expanded on its legal reasoning.⁶ The panel explained that, since the statute provides for joinder of “any person” at the Director’s discretion, “there does not appear to be any language in the statute prohibiting the joinder of issues by the same party.”⁷

However, in late 2014, the PTAB seemingly reversed course in a non-precedential expanded panel order in *Target Corp. v. Destination Maternity Corp.*⁸ In a 3-2 decision, the panel construed the statute to not permit same-party joinder of new issues. The panel disagreed with *Ariosa’s* conclusion, reasoning that “the absence from the statute of an express prohibition . . . does not inform whether the authority to do so has been granted.”⁹ It then held that *Ariosa’s* construction of “any person” was

¹ *Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co. Ltd.*, No. 2016-2321 (Fed. Cir. August 22, 2017).

² *Id.* at 3 (Dyk, J. concurring).

³ *Microsoft Corp. v. Proxyconn, Inc.*, IPR2013-00109, Paper 15 (PTAB February 25, 2013).

⁴ Office Patent Trial Practice Guide, 77 Fed. Reg. 48756, 48758 (August 14, 2012).

⁵ *Compare ABB Inc. v. Roy-G-Biv Corp.*, IPR2013-00286, Paper 214 (PTAB August 9, 2013) (granting joinder); *Samsung Elecs. Co. v. Virginia Innovation Scis., Inc.*, IPR2014-00557, Paper 10 (PTAB June 13, 2014) (granting joinder); *with ZTE Corp. v. ContentGuard Holdings Inc.*, IPR2013-00454, Paper 12 (PTAB September 25, 2013) (denying joinder); *LG Elecs. Inc. v. ATI Techs. ULC*, IPR2015-01620, Paper 10 (PTAB February 2, 2016) (denying joinder).

⁶ *Ariosa Diagnostics v. Isis Innovation Limited*, IPR2012-00022, Paper 166 (PTAB September 2, 2014).

⁷ *Id.* at 19.

⁸ *Target Corp. v. Destination Maternity Corp.*, IPR2014-00508, Paper 18 (PTAB September 25, 2014) (“*Destination Maternity I*”).

⁹ *Id.* at 4.

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incorrect, as the statute states the Director “may join as a party . . . any person,”¹⁰ and thus “[a] person cannot be joined to a proceeding in which it already is a party.”¹¹

This new position was short-lived when a second expanded panel of seven judges reversed the earlier decision in a split 4-3 decision.¹² The second panel held that the only explicit party that is excluded from filing a petition is the patent owner,¹³ and that “Congress could have specified ‘any non-party’ instead of ‘any person’” had it intended to do otherwise.¹⁴ Precluding same-party joinder “reads the word ‘any’ out of the statute and ignores the statutory language of § 311(a).”¹⁵ The panel went on to hold that “Section 315(c), by specifically referencing § 314, clearly contemplates that the merits of the petition be considered in determining whether joinder is granted, and thus, as a consequence, necessarily contemplates joinder of issues as well as joinder of parties.”¹⁶

A similar back-and-forth between panels occurred in the *Nidec* PTAB proceedings. There, the PTAB had instituted a challenge on obviousness grounds, but declined to institute an anticipation challenge due to the petitioner’s failure to submit an affidavit attesting to the accuracy of the translation of the Japanese prior art reference, and further declined to join a time-barred second petition that provided the affidavit.¹⁷ An expanded panel then reversed the decision.¹⁸ The arguments for and against joinder in those decisions were largely the same as those made in the *Destination Maternity* orders.

Federal Circuit Panel Majority Expresses Concern

Although the joinder issue was appealed to the Federal Circuit following the PTAB’s final written decision in *Nidec*, the Federal Circuit declined to reach the issue because it agreed with the PTAB’s decision that the patents were unpatentable as obvious, and thus the anticipation issue in the second petition was moot.

However, in a separate concurrence, Judge Dyk and Judge Wallach had “serious questions” and wished to “express our concerns as to the [PTAB’s] position on joinder . . . since those issues are likely to recur.”¹⁹ The opinion’s analysis is short, but consequential:

The issue in this case is whether the time bar provision allows a time-barred petitioner to add new issues, rather than simply belatedly joining a proceeding as a new party, to an otherwise timely proceeding. Section 315(c) does not explicitly allow this practice. We think it unlikely that Congress intended that petitioners could employ the joinder provision to circumvent the time bar by adding time-barred issues to an otherwise timely proceeding, whether the petitioner seeking to add new issues is the same party that brought the timely proceeding, as in this case, or the petitioner is a new party.

Although the concurring opinion is pure *dicta*, it is clearly intended to encourage the PTAB to reassess its current stance on joinder.²⁰ It remains to be seen whether the Director will take heed, or if the issue will remain in contention amongst the PTAB judges, with this concurrence emboldening those inclined to agree with *Destination Maternity I*. The concurrence may also signal a willingness of the Federal Circuit to directly address the issue in a future appeal where it has not been mooted. However, given the competing equities of disallowing circumvention of the time-bar statute versus having a mechanism to protect petitioners from patent owners that assert new claims one year into litigation, a fully considered Federal Circuit opinion may come out differently than Judge Dyk’s concurrence. In any case, parties should be mindful of the increasing uncertainty of *Proxycorr* when deciding to bring time-barred petitions.

¹⁰ 35 U.S.C. § 315(c) (emphasis by the PTAB).

¹¹ *Destination Maternity I* at 5.

¹² *Target Corp. v. Destination Maternity Corp.*, IPR2014-00508, Paper 28 (PTAB February 12, 2015) (“*Destination Maternity II*”).

¹³ See 35 U.S.C. § 311(a) (“a person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent.”)

¹⁴ *Destination Maternity II* at 8.

¹⁵ *Id.*

¹⁶ *Id.* at 9-10.

¹⁷ *Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co. Ltd.*, No. 2016-2321 at 3-4 (Fed. Cir. Aug. 22, 2017).

¹⁸ *Id.*

¹⁹ *Nidec* at 1-2 (Dyk, J. concurring).

²⁰ The concurrence also questioned whether the director’s “practice of expanding panels where the PTO is dissatisfied with a panel’s earlier decision is the appropriate mechanism of achieving the desired uniformity.” *Id.* at 4 (Dyk, J. concurring).

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Derivation Proceeding Pitfalls and How to Avoid Them

Derivation proceedings at the Patent Trial and Appeal Board (PTAB) present an opportunity for inventors to defend themselves from parties seeking to hijack their inventions. Disgruntled ex-employees, former collaborators, ex-contractors, and others may try to patent an invention to which they did not contribute. While derivation proceedings provide an avenue for inventors to assert rightful ownership of their inventions, parties initiating derivation proceedings often encounter pitfalls that prevent them from successfully challenging another party's ownership of their invention.

There are eleven publicly available derivation cases from the PTAB. Five of these cases are pending, while the remaining six were denied or dismissed. We will look at some key strategies to avoid the pitfalls that caused the petitioners to fail in these cases.

1. Demonstrate Prior Conception of the Invention

To succeed in a derivation proceeding, the petitioner must prove that they conceived of the invention first. Prior conception can be established with inventor testimony supported by introducing lab notebooks, work logs, or other documentation that corroborates the inventor testimony.

2. File the Petition for a Derivation Proceeding (and an Application) in a Timely Manner

When seeking to initiate a derivation proceeding, file a petition within one year of the earlier of: (1) the grant of a patent that claims the invention; or (2) the publication of a patent application that claims the invention.¹ Also file a patent application claiming the invention. The inventor in *Gerber* petitioned for a derivation proceeding against Cornell University, claiming that he had input significant effort into the University's patent application for the contested invention.² The PTAB found that the inventor lacked standing to bring a derivation proceeding because he had not filed his own patent application disclosing the invention.

3. Ensure You Have Claims Describing Your Invention

A petitioner must claim the contested invention in their patent application to succeed in a derivation proceeding. The petitioner (Catapult) in *Catapult Innovations* established that the invention that the respondent (Adidas) claimed in its patent application was substantially the same as the invention Catapult disclosed to Adidas in a business demonstration.³ However, the derivation proceeding was ultimately denied because Catapult failed to establish that it claimed the disclosed invention in its own patent application. Similarly, the petitioner in *Shukh* was denied relief because he cancelled both claims in his patent application that described the contested invention.⁴

Summary

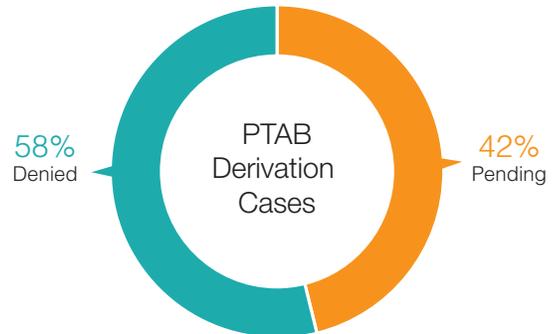
Derivation proceedings provide an avenue for inventors to defend their patent rights against interlopers. However, these proceedings can be challenging, and inventors face a number of roadblocks to a successful outcome; in fact, no reported derivation proceeding has yet been decided in favor of a petitioner. If a party with your confidential information is attempting to patent your invention, you should seek the advice of counsel with experience in trials before the PTAB.

¹ 35 U.S.C. § 135(a)(2).

² *Gerber v. Cornell University* (DER2015-00011).

³ *Catapult Innovations Pty Ltd. v. Adidas* (DER2014-00002, DER2014-00005, DER2014-00006).

⁴ *Shukh v. 3B Technologies, Inc.* (DER2016-00022).



Twilight of the *Inter Partes* Review or “Not so Fast”?

The U.S. Supreme Court has granted a writ of certiorari to consider “[w]hether inter partes review [IPR], an adversarial process used by the Patent and Trademark Office (PTO) to analyze the validity of existing patents, violates the Constitution by extinguishing private property rights through a non-Article III forum without a jury.”¹ Notably, the Court did not grant challenges to IPR amendment practice or the broadest reasonable interpretation for claims. Is this the beginning of the end for IPRs?

Congress imbued patents with the “attributes” of personal property, but those attributes are subject to the other requirements of the Patent Code

One answer might lie in a premise of the certified question—that patents are personal property. We speak of patents as intellectual property, but what is the basis for doing so? Not the statute itself.

Congress was very careful when it discussed patents as property. In 35 U.S.C. 261, Congress explained that “[s]ubject to the provisions of this title [35, U.S.C.], patents shall have the attributes of personal property.” Note that Congress did not simply say that “patents are personal property.” Instead, Congress imbued patents with the “attributes” of personal property, but those attributes are subject to the other requirements of the Patent Code. Those requirements include *ex parte* reexamination and the various post-grant proceedings, including IPRs. In short, the plain language of the statute creates a conditional license rather than outright property. Some of the other conditions include express limitations on the term of the patent, something the Constitution expressly requires and something common in licenses but unusual in the creation of personal property.²

There are indications that the current Supreme Court may be viewing the administrative state with increasing skepticism. However, if the Court adheres to the plain language of the statute (and respects the plenary power of Congress under the Constitution to create a patent system or not), then it will most likely hold that IPRs are constitutional. Nevertheless, until the Supreme Court rules, patent owners will continue to raise this issue just to ensure that it is preserved if they lose on the merits.

¹ *Oil States Energy Servs. v. Greene’s Energy Grp.*, No. 16-712 (cert. granted 12 June 2017).

² *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969), may similarly foreshadow a pro-IPR result. In deciding whether a patent licensee was estopped from challenging the patent’s validity, the Court explained “A patent, in the last analysis, simply represents a legal conclusion reached by the Patent Office. Moreover, the legal conclusion is predicated on factors as to which reasonable men can differ widely. Yet the Patent Office is often obliged to reach its decision in an *ex parte* proceeding, without the aid of the arguments which could be advanced by parties interested in proving patent invalidity.” The Court’s characterization of a patent as “a legal conclusion reached by the Patent Office” rather than as vested personal property does not bode well for Oil States.

Patent Office Designates Precedential Decision Regarding Doctrine of Assignor Estoppel

On August 2, 2017, the Patent Office designated *Athena Automation Ltd. v. Husky Injection Molding Systems Ltd.* a precedential decision.¹ In the words of the Patent Office:

This decision determines that the doctrine of assignor estoppel is not an exception to 35 U.S.C. § 311(a), which allows ‘a person who is not the owner of a patent’ to file a petition for inter partes review.²

Husky, the patent owner, noted that a key officer at Athena was also an inventor on the challenged patent and had assigned his rights to Athena. Husky contended that the officer’s assignment of his patent rights to Athena should bar the officer (and his privities) from challenging the same patent.³

The PTAB held the statute to present “a clear expression of Congress’s broad grant of the ability to challenge the patentability of patents

¹ *Athena Automation Ltd. v. Husky Injection Molding Systems Ltd.*, IPR2013-00290, Paper 18 (October 25, 2013), available at https://www.uspto.gov/sites/default/files/documents/Athena%20Automation%20Ltd.%20v.%20Huskey%20Injection%20Molding%20Systems%20Ltd.%20IPR2013-00290_Paper%2018.pdf.

² <https://content.govdelivery.com/accounts/USPTO/bulletins/1ae20d0>.

³ *Athena Automation*, IPR2013-00290, Paper 18 at 12.

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through *inter partes* review.”⁴ Despite Husky’s contentions, the PTAB was unpersuaded that assignor estoppel, an equitable doctrine, provided an exception to the clear statutory mandate.⁵ Consequently, an assignor of a patent—who is necessarily no longer an owner of the patent—may file a petition requesting *inter partes* review.⁶

In further support of its statutory interpretation, the PTAB contrasted Section 311 with 19 U.S.C. Section 1337(c), which governs proceedings before the International Trade Commission (ITC). The relevant portion of that statute states, “All legal and equitable defenses may be presented in all cases.”⁷ The Federal Circuit has affirmed the ITC’s obligation to hear defenses of assignor estoppel.⁸

The PTAB’s decision also accords with the equities of estoppel discussed in case law. In *Lear v. Adkins*, the U.S. Supreme Court discussed the competing values behind the doctrine of licensee estoppel.⁹ Similar to assignor estoppel, licensee estoppel prevents the licensee from contesting the validity of the patent that it had agreed to enjoy the benefit of. The Court understood the doctrine as a compromise between the competing concerns contract and patent law.¹⁰ These concerns manifest as the interests of the licensor to receive the benefit of her contract versus the interests of the general public to not be oppressed by worthless patents. Ultimately the Court did not find the interests of the licensor more compelling: “[I]t does not seem to us to be unfair to require a patentee to defend the Patent Office’s judgment when his licensee places the question in issue.”¹¹ Thus, the Court overturned the doctrine of licensee estoppel, holding that “the technical requirements of contract doctrine must give way before the demands of the public interest”¹²

The PTAB’s decision can be seen as an affirmation of its purpose to serve the public interest through patent law, rather than be beholden to an extrinsic contract. The applicability of assignor estoppel in the ITC also squares with this understanding. The ITC is responsible for administering trade laws, not patent laws.¹³ Therefore, the Federal Circuit has determined that the ITC lacks the public interest responsibilities necessary to have independent duty to determine the validity of a patent.¹⁴ Without the public interest motivation possessed by the PTAB, the ITC appropriately considers the equitable defense of assignor estoppel.

Finally, the PTAB’s now-precedential holding to ignore assignor estoppel is unappealable.¹⁵ In the corresponding appeal to the Federal Circuit, the court reasoned the choice to ignore assignor estoppel was closely tied to the decision to institute; therefore, the Federal Circuit lacked jurisdiction to review the PTAB’s determination.¹⁶

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⁴ *Id.* at 12–13 (October 25, 2013).

⁵ *Id.* at 13.

⁶ *Id.*

⁷ 35 U.S.C. §1337(c).

⁸ *Intel Corporation v. U.S. International Trade Commission*, 946 F.2d 821, 837 (Fed. Cir. 1991).

⁹ *Lear, Incorporated v. Adkins*, 89 S. Ct. 1902 (1969).

¹⁰ *Id.* at 1910.

¹¹ *Id.* at 1911.

¹² *Id.*

¹³ *Tandon Corporation v. U.S. International Trade Commission*, 831 F.2d 1017, 1019 (Fed. Cir. 1987).

¹⁴ *Intel*, 946 F.2d at 837; *Lannon Mfg. Co. v. U.S. International Trade Commission*, 799 F.2d 1572, 1579 (Fed. Cir. 1986).

¹⁵ 35 U.S.C. § 314(d) (barring appeal of institution decisions).

¹⁶ *Husky Injection Molding Sys. Ltd. v. Athena Automation Ltd.*, 838 F.3d 1236, 1246–47 (Fed. Cir. 2016).

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