

WILSON SONSINI

A teal-colored background featuring a close-up, slightly blurred image of several interlocking gears. The gears are metallic and have a distinct toothed edge. The lighting creates highlights and shadows, giving a sense of depth and mechanical complexity.

2019 PTAB YEAR IN REVIEW

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Introduction

Wilson Sonsini Goodrich & Rosati is pleased to present our *2019 PTAB Year in Review*.

We begin with a review of 2019 petition filings at the Patent Trial and Appeal Board (PTAB) and then take a closer look at the results of these challenges, examining trends in institution rates and final written decisions.

We explore the PTAB's new motion to amend pilot programs, updates to the trial practice guide that was issued in July 2019,

and appeals at the Federal Circuit. Additionally, we discuss notable cases at the Federal Circuit, including *Arthrex, Inc. v. Smith & Nephew, Inc.*

We hope you find our *2019 PTAB Year in Review* to be a useful resource for insight on the most meaningful developments from the past year. As always, should you have any questions or comments on any of the matters discussed in the report, please contact a member of the firm's post-grant practice or your regular Wilson Sonsini attorney.

Notable Developments at the PTAB

2019 was a busy year at the Patent Trial and Appeal Board (PTAB). The PTAB gained a new chief judge and deputy chief judge. Petition filings decreased somewhat but institution rates increased. The PTAB's Precedential Opinion Panel (POP) issued its first three opinions last year, and just closed briefing on a fourth case. The PTAB designated an additional fourteen decisions relating to post-grant proceedings as precedential and three decisions as informative. It also launched a pilot program for motion to amend practice. Last, but not least, the PTAB issued an updated trial practice guide in July and a consolidated trial practice guide in November. Below is a brief description of these developments.

2019 AIA Post-Grant Proceedings Filing and Institution Rates

While America Invents Act (AIA) trial institution rates have increased slightly in the last fiscal year (October 1, 2018, through September 30, 2019) over fiscal year 2018, petition filings over the same period are down approximately 8 percent.¹

	Petitions Filed	Institution Rate
FY18	1522	69%
FY19	1396	73%

One might expect a decrease in petitions and an increase in institution rates to result from PTAB policies recently imposed to discourage the filing of multiple petitions.² For example, the July 2019 Trial Practice Guide Update stated

that “one petition should be sufficient to challenge the claims of a patent in most situations” and that it is “unlikely that circumstances will arise where three or more petitions by a petitioner with respect to a particular patent will be appropriate.”³ The recent guidance also requires a petitioner to rank its petitions and include justification if multiple petitions are filed.⁴ A comparison of the number of petitions filed before and after the July 16 release of the Trial Practice Guide Update provides limited support for this conclusion: there was a 5 percent decrease in petitions filed in the five months after the July 2019 Update compared to the five months before it (533 vs. 509). Time will tell whether this trend continues.

Interestingly enough, however, the trend of decreasing petitions and increasing institution rates does not hold constant across technology areas. Certain technology centers, such as Communications, Computers, and Computer Architecture reported an *increase* in the number of petitions filed. Among these, Communications

and Computer Architecture reported an increase in the institution rate at the same time the number of petitions increased. In contrast, institution rates for Computers reported little change in institution rates despite the increase in petitions.

Other technology centers reported decreases in petition filings of various magnitudes, including Chemical and Mechanical Engineering (42 petition decrease of 44 percent), Semiconductors (137 petition decrease of 40 percent), Biotechnology (38 petition decrease of 22 percent), and Transportation (24 petition decrease of 14 percent). Among these, Biotechnology reported an increase in institution rate from 61 to 73 percent and Chemical & Mechanical Engineering reported a decrease in institution rate from 56 to 45 percent. Mechanical Engineering reported a slight increase in petition filings and a slight increase in institution rates. As no trend holds fast across all technology areas, it would be a mistake to make strategic decisions based on generalities instead of based on the specific facts of each case.

Tech Center	Total Petitions FY 18	Institution Rate FY 18	Total Petitions FY19	Institution Rate FY 19
2600 - Communications	308	70%	337	76%
2800 - Semiconductors	343	74%	206	72%
2400 - Computers	176	72%	218	71%
3600 - Transportation	172	81%	148	80%
1600 - Biotechnology	171	61%	133	73%
3700 - Mechanical Engineering	202	71%	191	73%
2100 - Computer Architecture	117	62%	165	78%
1700 - Chemical and Material Engineering	95	56%	53	45%

Another possible explanation for a change in petition filings and institution rates could be the Supreme Court's decision in *SAS Institute v. Iancu*, 584 U.S. ---, 138 S. Ct. 1348 (2018). As seen in the graph below, there was a small negative trend in institution rates soon after the Supreme Court's decision in *SAS Institute*, but that trend has not been maintained. The overall increase observed in institution rates might be attributed to increased pre-filing scrutiny of petitions by petitioners post-*SAS Institute*.

Though the percentage of challenged claims ultimately found unpatentable appears to reflect a mild decreasing trend after *SAS*, it is difficult to say the change is significant in view of relatively large temporary fluctuations in the percentage. It is also difficult to attribute

1) to rehear matters of exceptional importance in pending trials and appeals and 2) to assist the director to decide whether a previously issued decision should be designated as precedential or informative.

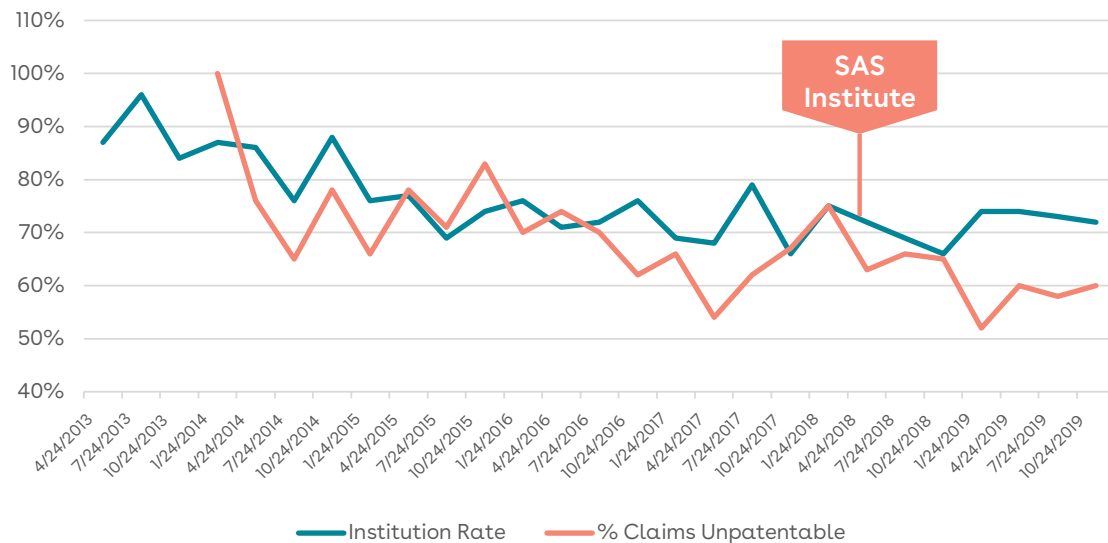
The POP issued decisions in 2019 for the first time ever, and all three involved a rehearing of matters of exceptional importance in pending trials.

In *Proppant Express Invs., LLC v. Oren Techs., LLC*,⁵ the POP concluded that the PTAB's joinder authority is not limited to adding additional parties to existing trials, but also includes adding new issues to a trial that were raised by the same petitioner in another petition on the same patent. The POP emphasized, however, that such discretion should be

Finally, in *Hulu, LLC v. Sound View Innovations, LLC*,⁷ the POP clarified that, for the purposes of institution, a petitioner need only demonstrate a reasonable likelihood that a reference was publicly accessible before the critical date, which is lower than the preponderance of the evidence standard required at final written decision.

Non-POP Precedential Decisions

In addition to the POP decisions, the PTAB also designated 14 AIA post-grant proceeding decisions precedential in 2019. This means that over half of all AIA post-grant proceeding decisions ever designated precedential were designated in 2019.



the trend to the *SAS* decision in light of the trend in prior years. *SAS* thus does not appear at this point to have had a major impact on either institution or claim cancellation rates.

Precedential Opinion Panel

The POP was formed in September 2018. It primarily serves two functions:

exercised rarely, and only where required by fairness and to avoid undue prejudice.

In *GoPro, Inc. v. 360Heros, Inc.*,⁶ the POP held that the service of a pleading asserting a claim of infringement triggers the one-year time bar under § 315(b) regardless of whether the serving party has standing to sue (or the pleading is otherwise deficient).

Four of the regular panel decisions designated precedential in 2019 address how the PTAB should apply its discretion to deny institution. *Becton, Dickinson & Co. v. B. Braun Melsungen AG*,⁸ provides factors that the PTAB will consider in deciding whether it should exercise its discretion to deny institution under § 325(d). *NHK Spring Co., Ltd.*

v. Intri-Plex Techs, Inc.,⁹ although ostensibly relying on 325(d) to deny institution, is cited more often for its discussion of how its discretion could have also been exercised under 314(a) because a parallel district court trial was scheduled to conclude before the requested AIA post-grant proceeding would have concluded. The PTAB designated two different *Valve Corp. v. Elec. Scripting Prods., Inc.*¹⁰ decisions as precedential, both of which noted that discretionary denial under § 314(a) using the factors set forth in *General Plastic*¹¹ is not limited to situations in which a single petitioner has filed multiple petitions. These decisions identify traps for the unwary petitioner. If a defendant in an infringement suit wishes to challenge the asserted patent before the PTAB, it should attempt to file its petition as soon as practicable and, if filing multiple petitions is necessary, should consider dividing the petitions by claims rather than by grounds. The impact of the PTAB's discretionary denial precedents is considered in further detail later in this issue of the *PTAB Review*.

The PTAB also designated three decisions dealing with real-party-in-interest as precedential: *Ventex Co., Ltd. v. Columbia Sportswear North America, Inc.*,¹² *Proppant Express Invs., LLC v. Oren Techs., LLC*,¹³ and *Adello Biologics LLC v. Amgen Inc.*,¹⁴ *Proppant* set forth factors the PTAB would consider in deciding whether it would allow a petitioner to amend its identification of real-parties-in interest after institution while maintaining the petition's original filing date. In *Ventex*, after determining that petitioner had failed to name a time-barred real-party-in-interest and privy, the PTAB dismissed the petition, vacated institution, and terminated review. In *Adello*, the PTAB allowed the petitioner to amend its listing of real-parties-interest before institution while maintaining the original filing date.

Two decisions directed to motion to amend practice were designated as

precedential. In *Lectrosomics, Inc. v. Zaxcom, Inc.*,¹⁵ the PTAB provided updated guidance for motions to amend under *Aqua Products*. And in *Amazon.com, Inc. v. Uniloc Luxembourg S.A.*,¹⁶ the PTAB determined it may raise any ground of unpatentability in addressing substitute claims presented by a motion to amend, including those grounds that could not be presented by statute against the original claims.¹⁷

The PTAB also issued four decisions regarding trial procedures. *Huawei Device Co., Ltd. v. Optis Wireless Tech., LLC*,¹⁸ clarifies that new evidence may not be submitted with a request for rehearing absent a showing of good cause. Both *DePuy Synthes Prods., Inc. v. Medidea, LLC*,¹⁹ and *K-40 Elecs., LLC v. Escort, Inc.*,²⁰ discuss the availability of live testimony at oral hearing. *Focal Therapeutics, Inc. v. SenoRx, Inc.*,²¹ clarifies that counsel may confer with their witness during deposition once cross-examination concludes and before any re-direct.

Finally, in *Cisco Sys., Inc. v. Chromar Sys., Inc.*,²² the PTAB determined that § 315(a) (1) bars institution even if a petitioner voluntarily dismissed its earlier civil action challenging the validity of the patent.

Informative Decisions

In addition to the many precedential decision designations in 2019, the PTAB also designated three PTAB decisions informative. All three dealt with the PTAB exercising discretion to deny institution. Both *Deeper, UAB v. Vexilar, Inc.*,²³ and *Chevron Oronite Co. LLC v. Infineum USA L.P.*,²⁴ denied institution on the basis that institution would be an inefficient use of the PTAB's time and resources. And in *Adaptics Ltd. v. Perfect Co.*,²⁵ the PTAB noted that it may deny institution under § 312(a)(3) if the petition presents voluminous and excessive grounds, and wherein the grounds lack particularity.

Motion to Amend Pilot

The PTAB's new motion to amend pilot programs gives patent owners two new options. First, it allows patent owners to elect to receive preliminary (non-binding) guidance from the PTAB about whether the motion to amend meets statutory and regulatory requirements, as well as about the merits of the amendment. Second, once that guidance is given, patent owners can choose to file a revised motion to amend. If a revised motion to amend is filed, the PTAB will issue a revised scheduling order moving the oral hearing back by approximately a month. The impact of the Motion to Amend Pilot Programs is considered in further detail later in this issue of the *PTAB Review*.

Trial Practice Guide Updates

The PTAB issued an update to the trial practice guide in July 2019, addressing issues such as confidentiality, discovery, and motions to amend. Now that the PTAB uses the same *Phillips*²⁶ claim construction standard used in district courts, the July 2019 update clarified that the PTAB will consider claim constructions made in alternate fora if made of record before the PTAB. The update also announced a change in policy at the PTAB regarding parallel petitions challenging the same patent. In its first rules package, the PTAB explained that filing multiple petitions is an alternative to requesting a waiver of page (now word) counts.²⁷ In the July 2019 update, however, the PTAB took the position that one petition should be sufficient to challenge a patent in most circumstances. If a petitioner files two or more petitions challenging the same patent, it should now rank its petitions, either as part of the petition or in a second, five-page paper, explain the differences between the petitions, and explain why the PTAB should exercise its discretion to institute more than one petition.

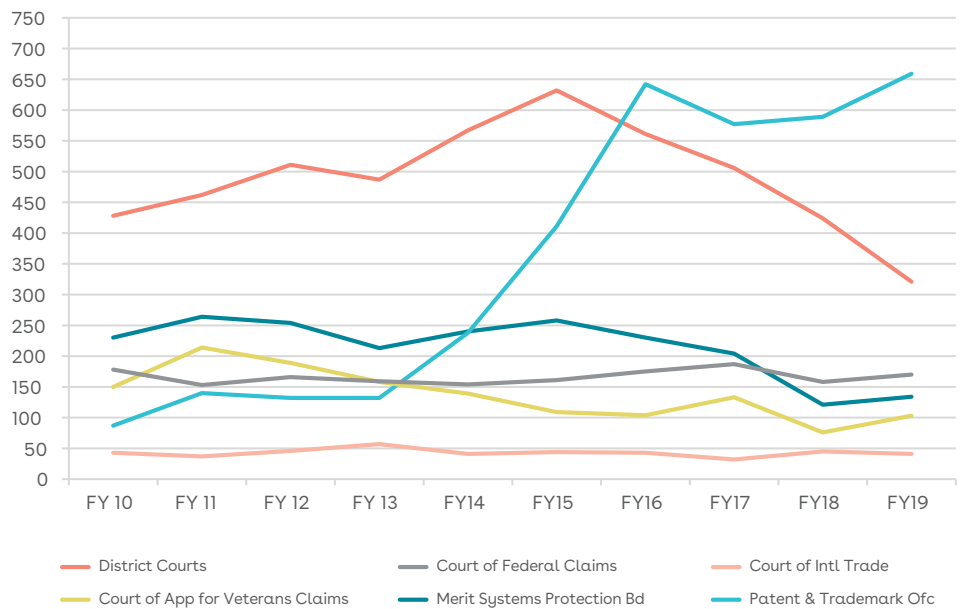
In addition, the PTAB issued a consolidated practice guide in November 2019, in which the trial practice guide updates of August 2018 and July 2019 were incorporated together with the original August 2012 guide. Changes between the original guide and the consolidated guide include an updated default protective order, the initial conference call is now held only if requested by the parties, the use of sur-replies in place of observations on cross-examination testimony, and changes from page count to word count. The updated guide also spends over ten pages describing various considerations under § 314(a) and § 325(d) that the PTAB will take into account when determining whether to institute trial.

Appellate Review of AIA Post-Grant Proceedings

Appellate review of AIA post-grant proceedings is as important as ever. After a two-year lull, appeals at the Federal Circuit from the United States Patent and Trademark Office (USPTO) are back at an all-time high, with 659 appeals filed in FY2019. This rebound may reflect parties adjusting to changes and uncertainties created by Federal Circuit and Supreme Court decisions between 2016 and 2018, such as *Aqua Products*, *Oil States*, and *SAS*. Current uncertainties created by challenges to the constitutionality of PTAB decisions might drive a short-term spike in filings to take advantage of such rulings.

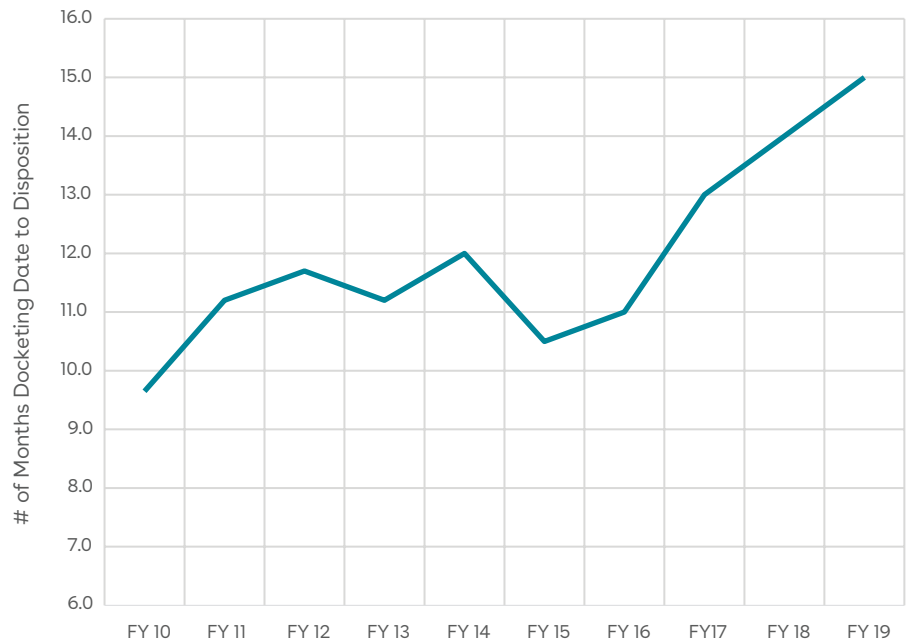
Patent cases continue to dominate the Federal Circuit’s docket, with appeals from the PTAB alone representing 45 percent of the court’s docket and patent cases from district courts (including administrative appeals from the USPTO) accounting for another 22 percent of the docket. Unfortunately, the popularity of appeals to the Federal Circuit comes at

Appeals Filed in Major Origins



Source: U.S. Court of Appeals for the Federal Circuit

Median Disposition Time for Cases Decided by Merits Panels



Source: U.S. Court of Appeals for the Federal Circuit

the price of longer appeal pendency. For much of the decade, the court reliably terminated most appeals in less than one year, but pendency has climbed to a median of 15 months.

Despite the court’s increasing case load, however, outcomes remained remarkably stable over the last three years. Significantly, the PTAB is affirmed outright about 75 percent of the time in post-grant proceedings. There has been a modest shift from partial vacatur/reversal to outright vacatur/reversal in the last two years, with more vacatur now rather than reversal. This shift may reflect a view on the court that sending the entire case back to the agency for further action is better than a partial disposition.

head.²⁹ The court avoided the issue because it held that the appellant had waived the issue; in any case, Congress had already passed legislation to fix the problem in future cases (by having the Secretary of Commerce appoint them again).

In *Arthrex*, the court held that APJs were not inferior officers because they lacked adequate supervision by a presidential appointee. The court acknowledged that the issue was first raised on appeal, but nevertheless addressed the issue because Congress had not acted to fix it. After considering a number of solutions, the court decided that APJs would have adequate supervision if they were stripped of civil service protections against being fired without

who had already lost their appeals or had failed to brief the issue had no remedy, and appellants who had their entire case adjudicated by the same APJs but received a PTAB decision even one day after *Arthrex* have no remedy, but any appellant who had raised (or will raise) the issue (even by simply copying the argument) would automatically benefit. The court immediately implemented this dichotomous result in three cases, denying relief in two cases and granting it in a third.³² The scope of this remedy was immediately called into question by other panels of the court. One decision featured an unusual two-judge concurrence to a *per curiam* decision in which the concurring judges questioned why the *Arthrex* panel had failed to follow the usual practice of making the solution retroactive.³³ Another panel requested additional briefing from the parties on whether the *Arthrex* remedy was correct.³⁴ In the meantime, *both* parties and the federal government are seeking rehearing in *Arthrex*. We will undoubtedly be hearing more about *Arthrex* in the coming year.

Claim Cancellation Is Still Not an Unconstitutional Taking

In *Celgene Corporation v. Peter*,³⁵ the Federal Circuit rejected an argument that cancellation of a pre-AIA patent claim in a PTAB review is an unconstitutional taking. Under the 5th Amendment, the federal government can take private property for public use but only with due process and just compensation. As in *Arthrex*, the constitutional challenge had not been preserved before the PTAB, but the court nevertheless exercised its discretion in the interests of justice to resolve a lingering issue.

Celgene contended that pre-AIA patents were obtained with “investment-backed expectations” that they were not encumbered by PTAB reviews, so the existence of the reviews causes a regulatory taking of the value of the patent. The court noted that patent claims have always been subject to

Outcomes (IPR, PGR, CBM)			
Calendar year	2017	2018	2019
Affirmed	103 (75%)	119 (75%)	138 (76%)
Reversed	6 (4%)	6 (4%)	4 (2%)
Vacated	9 (7%)	20 (13%)	24 (13%)
Reversed/vacated in part	19 (14%)	13 (8%)	15 (8%)
Total	137	158	181

Source: Docket Navigator (rounding may lead to totals other than 100%)

Notable Federal Circuit Cases

Administrative Patent Judges Are Unconstitutional

The PTAB has been the subject of several constitutional challenges. The most successful challenge to date, in *Arthrex, Inc. v. Smith & Nephew, Inc.*,²⁸ urged that administrative patent judges (APJs) were unconstitutionally appointed and so their decisions are not valid. A dozen years ago, the court had held that APJs were “inferior officers” which could have created a problem under the Appointments Clause of the Constitution because APJs were no longer appointed by a department

cause. The court reasoned that, as at-will employees, APJs would be completely under the control of the USPTO Director, the only presidential appointee at the USPTO. This outcome is striking given the court’s historical concerns about the Director having *too much* control over the APJs, such that the independence of their judgment in deciding cases would be in doubt.³⁰

The scope of the remedy was immediately controversial: rather than simply rewarding *Arthrex* for raising the issue but otherwise making the solution retroactive, the court held that the same remedy would apply to other appellants who had raised (or will raise³¹) the issue in an appeal brief. This created an odd mix of winners and losers: appellants

challenge in court and have long been subject to challenge in reexaminations, which the court characterized as simply agency reconsideration of the decision to grant the patent in the first instance. The court rejected arguments based on procedural differences between PTAB reviews and reexaminations. Celgene requested rehearing *en banc*, but the request was denied in a *per curiam* decision without dissent.

No Sovereign Immunity from AIA Post-Grant Proceedings

In *Regents of the University of Minnesota v. LSI Corporation*, the Supreme Court was asked to consider whether the 11th Amendment bars review of State-owned patents. Such patents are typically owned by universities that are agencies of a State. The 11th Amendment shields States from federal judicial power in private litigation. The Court has extended the definition of federal judicial power in this context to include federal agency adjudication.³⁶ The Federal Circuit rejected the Regent’s argument because it held PTAB reviews to be agency reconsideration of its own previous examination rather than private litigation.³⁷ The Federal Circuit did not adopt the PTAB’s theory that the State had waived immunity by suing on the patent in federal district court. In an unusual maneuver, all three judges on the panel jointly provided “additional views” advancing an in-rem theory for not applying sovereign immunity.³⁸ The Supreme Court recently denied certiorari.³⁹

Supreme Court Watch: *Thryv, Inc. v. Click-to-Call Technologies, LP*

The Supreme Court recently heard oral argument about whether the Federal Circuit has jurisdiction to hear an appeal of any aspect of a PTAB institution decision. Congress seemingly insulated institution decisions from appellate review. 35 U.S.C. §§314(d) (inter partes

reviews [IPR]) and 324(e) (post-grant reviews [PGR]). In *Cuozzo Speed Techs., LLC v. Lee*,⁴⁰ the Court declined to limit this review bar to merits decisions but left a small opening for review if the PTAB engaged in “shenanigans.” The Court subsequently reversed a PTAB decision to institute a review of less than all of the claims because doing so was held to violate a statutory requirement.⁴¹ In *Thryv*, the Court was asked to review the Federal Circuit’s decision⁴² reversing a PTAB final written decision on the basis that the PTAB had improperly instituted the inter partes review in the first place. The Federal Circuit disagreed with the PTAB’s interpretation of a time bar in 35 U.S.C. §315(b), which bars institution of a petition if the petition was filed more than one year after the petitioner was served with a complaint alleging infringement of the challenged patent. The PTAB concluded the time bar did not apply because the complaint was dismissed without prejudice. The Federal Circuit disagreed. The Supreme Court granted certiorari on the scope of review available in light of the statutory appeal bar. At this time, no decision has been rendered. If the Court endorses review of procedural issues surrounding institution, we can expect patent owners⁴³ to focus more on such issues in their preliminary responses at the PTAB and in briefing on appeal.

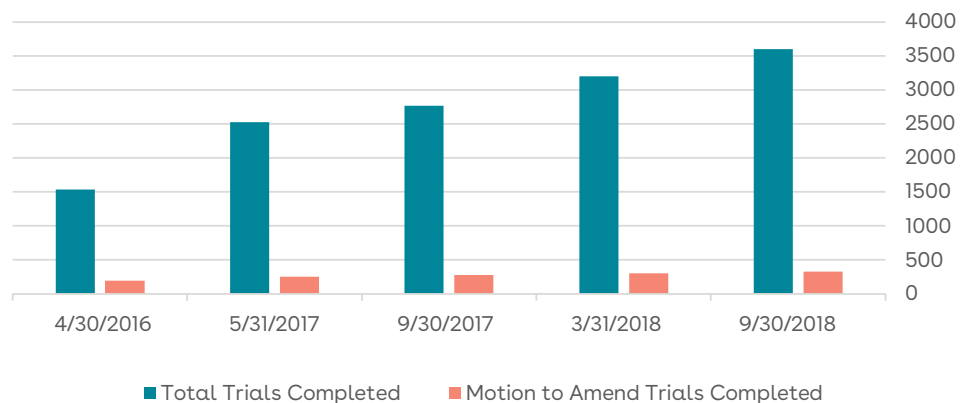
Amendment Pilot Program Provides Second Chances

Motions to amend before the PTAB have garnered much attention since AIA post-grant proceedings began. In theory, motions to amend provide patent owners with a valuable opportunity to preserve their patents when faced with credible validity challenges. For instance, when the petitioner asserts close prior art, rather than being restricted only to arguments, a patent owner could amend the claims to distinguish over the prior art. In practice, however, relatively few motions to amend have been filed and even fewer have been successful. It is too soon to tell whether the Pilot Program is increasing those odds, but it certainly gives patent owners additional chances to get it right both on procedure and on substance.

Early Motion to Amend Practice

When the USPTO released its first study on motions to amend in April of 2016, only 12 percent of completed AIA post-grant proceedings involved motions to amend. Of 192 such motions, only six were granted or granted-in-part.⁴⁴ The

Total Trials vs. Motions to Amend Trials



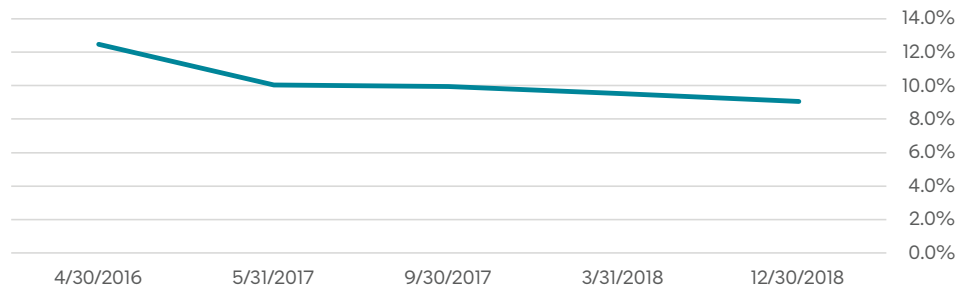
rest were either denied or resolved before the PTAB issued a decision on the merits (e.g., settlement, motions withdrawn). That is, only about 3 percent of motions to amend were successful.

Since then, the number of motions to amend filed relative to the overall number of trials have only fallen. USPTO’s most recent study on motions to amend analyzed proceedings as of September 30, 2018. Based on the data, the percentage of motions to amend cases had dropped to roughly 9 percent.⁴⁵ That is, although there is much discussion surrounding motions to amend, they ultimately impact a relatively small number of cases.

The few attempts to amend the issued claims and fewer instances of success are perhaps unsurprising. Patent owners were originally obligated to demonstrate that the proposed amendments were responsive to Petitioner’s asserted grounds, supported by the original disclosure, not an impermissible broadening of claim scope, and that the newly introduced amendments distinguish over not just the asserted prior art but the state of the art as a whole.⁴⁶ Patent owners were limited to 25 pages for briefing all of these issues. No incorporation by reference was allowed. On top of these hurdles, strategic considerations in view of ongoing district court litigation or prosecution of related applications likely had a chilling effect on the use of motions to amend.

Despite the consistently low percentage of cases involving motions to amend, a few statistical trends should be noted. Overall, the number of motions to amend that reach substantive decision has not seen much change—hovering between 61.5 percent and 63 percent as of USPTO’s last study. Further, the number of motions to amend that are granted or granted-in-part has seen a steady upward trajectory—reaching 6.4 percent as of USPTO’s last study.⁴⁷

Percentage of Cases with Motions to Amend



Recent Trends for Motions to Amend

Since USPTO’s last study on motions to amend, an additional 73 PTAB cases have involved motions to amend, bringing the total of trials involving motions to amend to 399 cases. The number of cases involving motions to amend that result in a substantive decision by the PTAB has seen a slight increase to 67 percent. That is, more motions to amend are being substantively decided than ever before.

Moreover, the success rate (cases where motions to amend are granted or granted-in-part) now sits at 11.5 percent. If considering only cases involving motions to amend that completed in

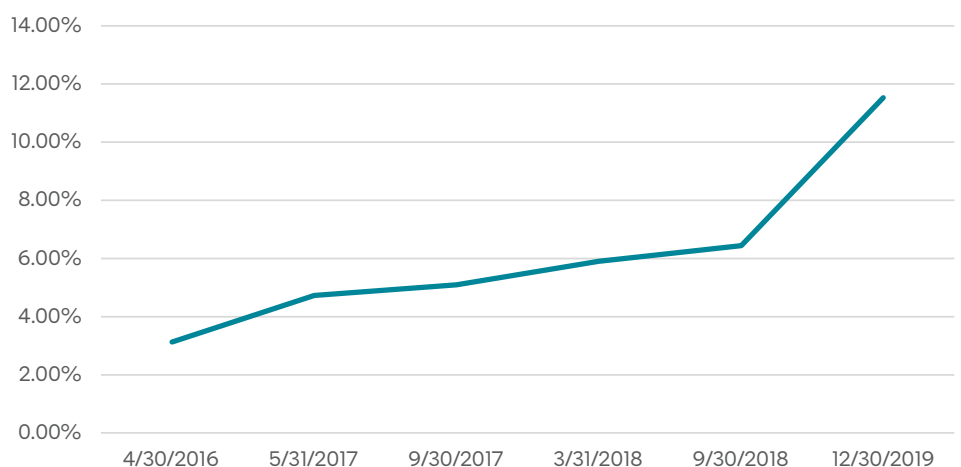
the last 12 months, the success rate is an even higher 35 percent.⁴⁸

This increasing success rate is likely attributable at least in part to the Federal Circuit’s decision in *Aqua Products, Inc. v. Matal*, 872 F.3d 1290, 1327 (Fed. Cir. 2017). There, the Federal Circuit explained that the burden of persuasion rests on the petitioner to demonstrate that the substitute claims are unpatentable.

Future Trends for Motions to Amend

The latest development for motions to amend is the USPTO’s Pilot Program concerning motions to amend that went into effect on March 15, 2019. As

Percentage of Motions to Amend Successful



Pending Motions to Amend / Pilot Program with Formal Preliminary Guidance

Case	Preliminary Guidance Requested	Revised Motion Filed	Number of Claims Reasonable?	Responds to Grounds	Does not enlarge scope?	No new matter?	Not Unpatentable
IPR2019-00082	✓	✓	✓	✓	✓	✓	✗
IPR2019-00081	✓	✓	✓	✓	✓	✓	✗
IPR2019-00080	✓	✓	✓	✓	✓	✓	✗
IPR2019-00255	✓	✓	✓	✓	✓	✗	✗
IPR2019-00120	✓	✓	✓	✓	✓	✗	✗
IPR2019-00121	✓	✓	✓	✓	✓	✓	✗
IPR2019-00201	✓	-	✓	✓	✓	✓	✗
IPR2019-00275	✓	✓	✓	✓	✓	✓	✗
IPR2019-00143	✓	✓	✓	✓	✓	✗	✗
IPR2019-00269	✓	-	✓	✓	✓	✓	✗

previously discussed, the Pilot Program allows patent owners that file motions to amend to request preliminary guidance from the PTAB and/or file a revised motion based on the PTAB's guidance or the petitioner's objection to the motion. As of December 2019, there are roughly a dozen *inter partes* review proceedings where the patent owner has used the Pilot Program. In every case, the patent owner requested preliminary guidance from the PTAB and, in the vast majority of cases, subsequently filed revised motions. There are only two known cases where the patent owner requested preliminary guidance but did not subsequently file a revised motion.⁴⁹

The PTAB's preliminary guidance may be in the form of a short paper or oral guidance provided over a conference call.⁵⁰ As of December 2019, however, the PTAB has generally issued preliminary guidance as formal papers.⁵¹ The PTAB's guidance walks through each of the requirements of a motion to amend and provides a positive or negative indication as to whether the requirement is met. With respect to unpatentability, the preliminary guidance has covered

both prior art challenges as well as indefiniteness.⁵²

Thus far, each of the formal papers providing preliminary guidance has given positive indications on the number of substitute claims being reasonable, the proposed amendments being responsive to the asserted grounds, and the proposed amendments not enlarging the scope of the claims. A few of the preliminary guidance documents indicated that the proposed amendments impermissibly introduced new matter. Notably, none of the preliminary guidance documents indicated that all of the substitute claims were not unpatentable and only one indicated that at least some of the proposed claims would not be found unpatentable.⁵³

As of December 2019, none of these pilot program cases have reached final decision. It is thus unclear whether trends observed in the preliminary guidance, which are nonbinding on the PTAB,⁵⁴ will continue in final written decisions.

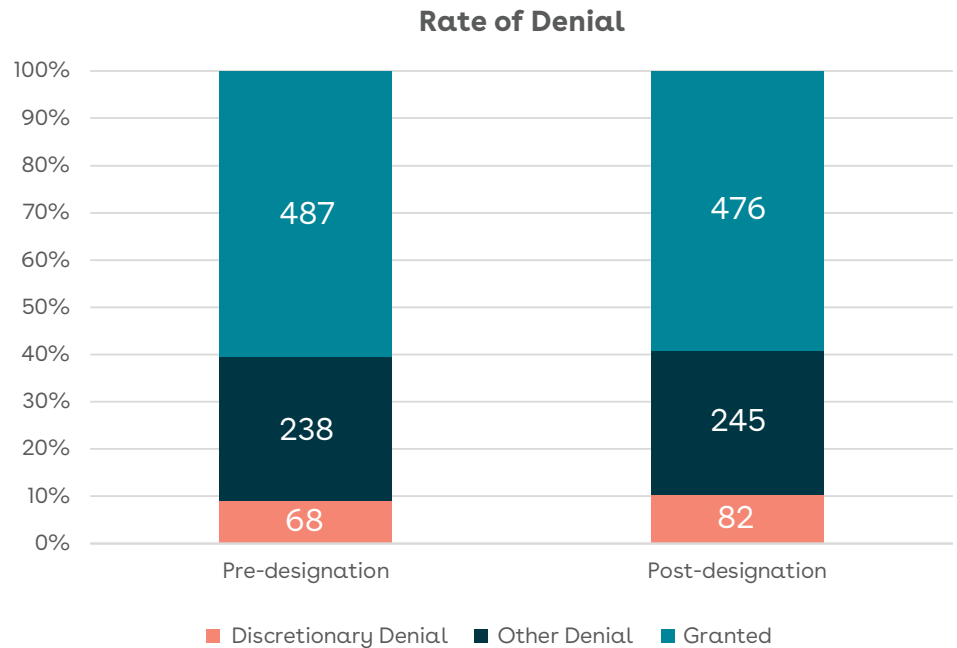
Discretionary Denial Precedents Impact Institution Decisions but Not Rates

The AIA expressly authorizes the Director to deny institution if the petition presents "the same or substantially the same prior art or arguments previously ... presented to the Office" 35 U.S.C. § 325(d). The PTAB has long held that it maintains discretion to deny institution that is not so constrained based on the permissive language of 35 U.S.C. § 314(a) that, if certain conditions are met, the Director "may" institute. *See Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2140 (2016). For several years, the PTAB has analyzed whether to exercise discretion to deny institution under the multi-factor tests outlined in the designated decisions of *Gen. Plastic Indus. Co. v. Canon Kabushiki Kaishi*, IPR2016-01357, Paper 19 at 15-16 (Sept. 6, 2017) (for general exercise of discretion) and *Becton, Dickinson and Co. v. B. Braun Melsungen AG*, IPR2017-

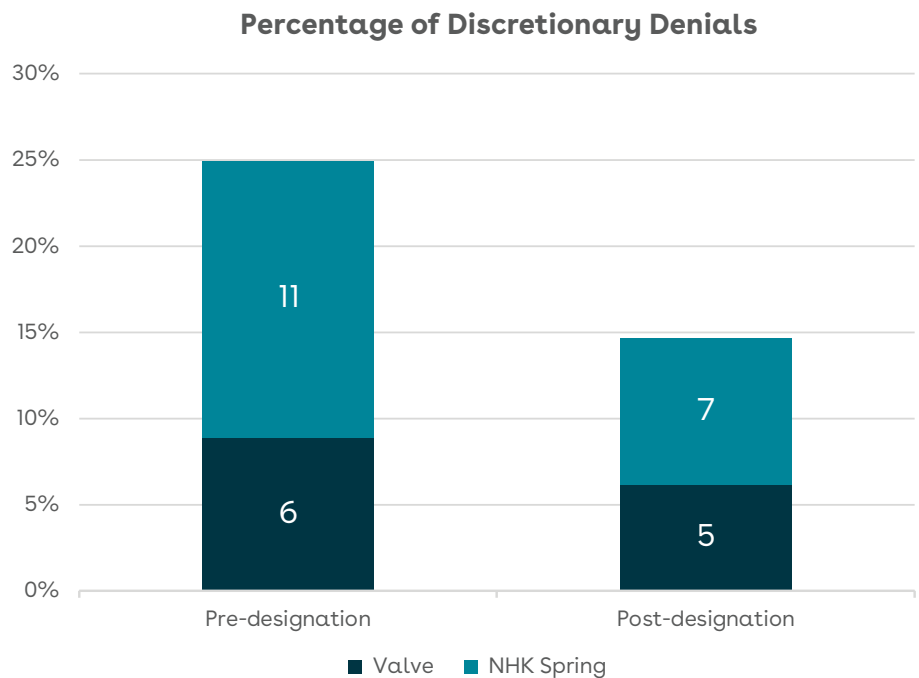
01586, Paper 8 at 17 (Dec. 15, 2017) (for § 325(d) exercise of discretion). As discussed above in Section 1, the PTAB expanded its exercise of discretion to deny institution by designating precedential decisions and through practice guide updates.⁵⁵ Despite this flurry of activity, however, it appears that there has not been a noticeable increase in the rate of discretionary denials (or denials overall).

To evaluate the impact of the precedential decisions on discretionary denial, we considered the approximately 800 institution decisions that were issued in the seven months before and after May 7, 2019, the date the PTAB designated *Valve* and *NHK Spring* as precedential. Both the rate of denial and the rate of discretionary denial saw a slight uptick. In the pre-designation period, approximately 39 percent of petitions were denied, and of the denials, about 22 percent were discretionary denials. In the post-designation period, 41 percent of petitions were denied, with 25 percent of the denials being discretionary.

It is difficult to draw any conclusions from so small an increase over a limited timeframe. Moreover, the increase can be attributed to the 24 denials of parallel petitions filed by Comcast Cable Communications, LLC against several of Rovi Guides, Inc.’s patents. In orders that presaged the July 2019 Trial Practice Guide update, the PTAB asked Comcast to rank its petitions, and denied all but one or two highest ranked petitions against each patent.⁵⁶ The 24 parallel Comcast petitions denied institution in June and July 2019 in IPR Nos. 2019-00224 through -00229, and 2019-00279—00289 alone account for nearly 3 percent of the institution decisions issued in the later time period, exceeding the small increase in denials between the two periods. Given the notice provided



(Source: Docket Navigator)



(Source: Docket Navigator)

in the July 2019 update to the trial practice guide, it is unlikely we will see this many parallel petitions and denials again. Because the small increase in discretionary denials appears tied to the PTAB's new policy against multiple parallel petitions, it thus remains to be seen whether the *Valve* and *NHK Spring* precedential decisions have had much of an impact on discretionary denial and institution rates.

So far, an analysis of the cases suggests at least that designation of *Valve* and *NHK Spring* as precedential has had little more effect than the issuance of the panel decisions in the first place. In our analysis, we counted 11 institution denials for *NHK Spring*-based reasons and six denials for *Valve*-based reasons (all six of which were in the *Valve v. Elec. Scripting Prods.* line of cases) before the PTAB designated *Valve* and *NHK Spring* as precedential. In the post-designation period, there were seven and five such denials, respectively. These numbers represent less than 5 percent of overall denials, and about 5-15 percent of discretionary denials.

The lack of any discernable increase appears to indicate that PTAB panels largely have not changed their outcomes because of the precedential designation

of *Valve* and *NHK Spring*. Indeed, it has been common for panels to distinguish their cases from *Valve* or *NHK Spring*. In *NHK Spring*, one important factor was that trial was estimated to occur three months before the due date of the final written decision. In the majority of decisions where an *NHK Spring* issue was raised and rejected, however, an even greater time difference was expected between the expected trial date and the final written decision. *See, e.g., Abbott Vascular, Inc. v. FlexStent, LLC*, IPR2019-00882, Paper 11 (Oct. 7, 2019) (institution because of “compelling” unpatentability evidence despite trial scheduled eight months before final written decision due). In some cases, especially where the underlying litigation was before the ITC, a verdict had already been issued. *See, e.g., 3Shape A/S v. Align Technology, Inc.*, IPR2019-00157, Paper 9 (Jun. 5, 2019) (despite a similar obviousness challenge as the underlying ITC case, differing claim sets is enough to distinguish *NHK Spring*). And with respect to *Valve*, several decisions have declined to exercise discretionary denial despite an earlier petition from a co-defendant. *See, e.g., Foundation Medicine, Inc. v. Guardant Health, Inc.*, IPR2019-00634, Paper 10 (Aug. 19, 2019) (both petitioners were co-defendants and challenged the

exact same set of claims, but unlike in *Valve*, did not have a licensor-licensee relationship).

Reflecting this apparent reluctance, some panels have either declined to decide or outright rejected an *NHK Spring* or *Valve* argument in favor of denying petitions on their merits. As one panel put it: “Instead of analyzing whether to exercise our discretion ..., we find it more efficient to resolve our decision on institution on the merits.” *Edwards Lifesciences Corp. v. Evalve, Inc.*, IPR2019-01132, Paper 15 at 10 (Dec. 4, 2019).

In summary, the USPTO Director and PTAB administration appeared to significantly increase their attention on discretionary denials through the designation of precedential decisions and practice guide updates, but these actions appear to have made little difference in how the PTAB panels actually exercise this discretion. Although there has been a slight increase in discretionary denials, the number of discretionary denials on *Valve* or *NHK Spring* grounds has remained very small. It remains to be seen whether the USPTO's actions will have any long-term effect.

About Wilson Sonsini's 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 USPTO as well as on appeal at the Federal Circuit. We have extensive experience before the PTAB, representing clients in numerous AIA 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. Our core team leverages firmwide intellectual property expertise to provide comprehensive IP solutions for clients that cover strategy, prosecution, licensing, enforcement, and defense.

Endnotes

- 1 PTAB institution data in this article obtained using Lex Machina.
- 2 See *General Plastic Industrial Co., Ltd. v. Canon Kabushiki Kaisha*, IPR2016-01357 et al., Paper 19 (Sept. 6, 2017) (providing a “non-exhaustive” list of factors the PTAB considers in instituting post-grant proceedings); *Becton, Dickinson & Co. v. B. Braun Melsungen AG*, IPR2017-01586, Paper 8 (Dec. 15, 2017); *Valve Corp. v. Elec. Scripting Prods., Inc.*, IPR2019-00064 et al., Paper 10 (May 1, 2019) (extending *General Plastic* factors to the filing of multiple petitions by different petitioners).
- 3 Trial Practice Guide Update (July 16, 2019) (<https://www.uspto.gov/sites/default/files/documents/trial-practice-guide-update3.pdf>).
- 4 *Id.* at 27.
- 5 IPR2018-00914, Paper 38 (Mar. 13, 2019).
- 6 IPR2018-01754, Paper 38 (Aug. 23, 2019).
- 7 IPR2018-01039, Paper 29 (Dec. 20, 2019).
- 8 IPR2017-01586, Paper 8 (Dec. 15, 2017).
- 9 IPR2018-00752, Paper 8 (Sep. 12, 2018)
- 10 IPR2019-00062 *et seq.*, Paper 11 (Apr. 2, 2019) and IPR2019-00064 *et seq.*, Paper 10 (May 1, 2019).
- 11 *General Plastic Indus. Co. v. Canon Kabushiki Kaisha*, IPR2016-01357, Paper 19 (Sep. 6, 2017) (precedential as to § II.B.4.i).
- 12 IPR2017-00651, Paper 152, (Jan. 24, 2019).
- 13 IPR2017-01917, Paper 86 (Feb. 13, 2019).
- 14 PGR2019-00001, Paper 11 (Feb. 14, 2019).
- 15 IPR2018-01129, Paper 15 (Feb. 25, 2019).
- 16 IPR2017-00948, Paper 34 (Jan. 18, 2019).
- 17 In *inter partes* review proceedings, for example, under § 311(b) a petitioner may only challenge the original claims based on prior art challenges under §§ 102 and 103.
- 18 IPR2018-00816, Paper 19 (Jan. 8, 2019).
- 19 IPR2018-00315, Paper 29 (Jan. 23, 2019).
- 20 IPR2013-00203, Paper 34 (May 21, 2014).
- 21 IPR2014-00116, Paper 19 (Jul. 21, 2014).
- 22 IPR2018-01511, Paper 11 (Jan. 31, 2019).
- 23 IPR2018-01310, Paper 7 (Jan. 24, 2019).
- 24 IPR2018-00923, Paper 9 (Nov. 7, 2018).
- 25 IPR2018-01596, Paper 20 (Mar. 6, 2019).
- 26 *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005).
- 27 Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions; Final Rule, 77 Fed. Reg. 48,612, 48,635 (Aug. 14, 2012) (response to Comment 91).
- 28 App. No. 2018-2140 (Oct. 31, 2019).
- 29 *In re DBC*, 545 F.3d 1373 (Fed. Cir. 2008).
- 30 *In re Alappat*, 33 F.3d 1526 (Fed. Cir. 1994) (en banc).
- 31 Because the remedy applies to any PTAB decision entered before the court’s decision on October 31, many appellants have not yet reached the briefing stage of their appeals.
- 32 *Customedia Techs., LLC v. Dish Network Corp.*, App. Nos. 2018-2239 & 2019-1001 (Fed. Cir. Nov. 1, 2019) (denying remand requests); *Uniloc 2017 LLC v. Facebook, Inc.*, App. No. 2018-2251 (Fed. Cir. Oct. 31, 2019) (vacating and remanding *sua sponte*).
- 33 *Bedgear, LLC v. Fredman Bros. Furniture Co., Inc.*, App. No. 2018-2082 (Fed. Cir. Nov. 7, 2019) (Dyk concurring with Newman), explaining that legal fiction when a court “corrects” a statute is that the statute should always have been read that way.

Endnotes (cont.)

- 34 *Polaris Innovations Ltd. v. Kingston Tech. Co., Inc.*, App. No. 2018-1768 (Fed. Cir. Nov. 8, 2019) (Paper 90) (requesting briefing on four questions including questions implying that *Arthrex* was wrong to find a constitutional problem and questions implying the *Arthrex* remedy did not go far enough). One of the *Polaris* judges was also on the *Arthrex* panel.
- 35 931 F.3d 1342 (Fed. Cir. 2019).
- 36 Federal Maritime Comm'n v. S. Carolina Ports Auth., 535 US 743 (2002)
- 37 Regents of the Univ. of Minn. v. LSI Corp., 926 F.3d 1327 (Fed. Cir. 2019).
- 38 *Id.* at 1342.
- 39 Regents of University of Minn. v. LSI Corp., et al., Dkt No. 19-337, 589 U.S. --- (Jan. 13, 2020).
- 40 136 S. Ct. 2131, 2141 (2016).
- 41 *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348 (2018).
- 42 *Click-to Call Technologies, LP v. Ingenio, Inc.*, 899 F.3d 1321 (Fed. Cir. 2018).
- 43 The Federal Circuit has granted review asymmetrically because it will only consider issues after there is a final written decision, which means that institution was granted. If institution were denied, the disappointed petitioner would never reach the final written decision stage and thus could never obtain review. *SAS* was an anomaly because the PTAB had entered a split institution decision so the disappointed petitioner nevertheless had a final written decision. *SAS*, as interpreted by the PTAB and the Federal Circuit, bars split institution decisions.
- 44 Not including cases where motions were granted solely to cancel claims.
- 45 326 of 3599 completed trials involved motions to amend.
- 46 See discussion on *Aqua Products, Inc. v. Matal*, 872 F.3d 1290, 1327 (Fed. Cir. 2017) below.
- 47 Of 326 completed trials involving motions to amend, only 21 were granted or granted-in-part.
- 48 20 of 57 cases involving motions to amend that completed in 2019 were granted or granted-in-part.
- 49 In one case, the motion to amend was withdrawn entirely subsequent to the preliminary guidance. *Henrob Ltd. et al v. Newfrey LLC et al*, IPR2019-00269.
- 50 Notice Regarding a New Pilot Program Concerning Motion to Amend Practice and Procedures in Trial Proceedings under the America Invents Act before the Patent Trial and Appeal Board ("Notice"), 84 Fed. Reg. 9497, 9497 (March 15, 2019).
- 51 *But see Mylan Pharmaceuticals Inc. et al v. Sanofi-Aventis Deutschland GmbH et al*, IPR2018-01679, -1680, -01682 (providing preliminary guidance over conference calls)
- 52 *E.g. Formfactor, Inc., v. Feinmetall, GmbH*, IPR2019-00080, Paper 23 at 10 (indicating that particular terms would likely be indefinite); *but see Apple Inc., v. Zomm, LLC*, IPR2019-00275, Paper 16 at 10 (declining to address indefiniteness arguments as they "do not appear to relate to the amendments proposed in the Motion").
- 53 *ZTE (USA), Inc., v. Cywee Group Ltd.*, IPR2019-00143, Paper 35 at 7-10.
- 54 Notice, 84 Fed. Reg. 9497.
- 55 *See, e.g., Valve Corp. v. Elec. Scripting Prods., Inc.*, IPR2019-00062, -00063, -00084, Paper 11 (Apr. 2, 2019) (discretion may be applied when different petitioners having a "significant relationship" with one another); *NHK Spring Co., Ltd. v. Intri-Plex Techs., Inc.*, IPR2018-00752, Paper 8 (Sept. 12, 2018) (discretion may be applied when district court case will complete before IPR); USPTO Trial Practice Guide Update (July 2019) at 26-27 (discretion may be applied when petitioner files multiple simultaneous petitions against a single patent).
- 56 The cases are IPR2019-00224 through -00229, -00237 through -00239, -00279 through -00293, -00299, -00300, -00303 through -00305, and -00555 through -00558, filed against seven patents.

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