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5 Recent PTAB Decisions Attys Need To Know

By **Matthew Bultman**

Law360 (June 6, 2018, 10:12 PM EDT) -- Already this year, the Patent Trial and Appeal Board has staked out its position on tribal sovereign immunity and provided guidance on the requirements for amending patent claims. Here's a look at five recent PTAB decisions attorneys need to know about.

Mylan Pharmaceuticals Inc. v. Saint Regis Mohawk Tribe

Facing challenges from Mylan and other generic-drug makers to several patents for its lucrative dry-eye medication Restasis, Allergan PLC tried a novel approach: It transferred the patents to a Native American tribe, which proceeded to argue the patents were shielded from review by tribal sovereign immunity.

But the PTAB was having none of it. Although the board had previously recognized state sovereign immunity as a defense in inter partes reviews, it said in this February decision that tribal immunity does not apply.

"We decline the tribe's invitation to hold for the first time that the doctrine of tribal immunity should be applied in inter partes review proceedings," the board wrote.

The PTAB went on to say that even if tribal sovereign immunity were to apply to IPRs, the reviews could continue without the tribe because Allergan was still the effective patent owner.

The decision was a setback for the drugmaker, which had already faced a public relations backlash and criticism from Congress over the deal. But it also surprised legal experts, who said the board could have decided the case with a more narrow ruling.

Still, the PTAB won't have the last word on the issue. Allergan and the tribe have appealed to the Federal Circuit, which heard arguments earlier this week. Should the court overturn the board, it could open the door for similar deals between patent owners and tribes.

"If the value [of the patents] is high enough, you'll see more and more companies try to reach these types of arrangements with Native American tribes," Jason Stach of Finnegan Henderson Farabow Garrett & Dunner LLPsaid.

Western Digital Corp. v. Spex Technologies Inc.

The PTAB in April used a dispute between Western Digital and Spex over patents covering data encryption

technology to provide guidance to patent owners seeking to amend claims in the wake of the Federal Circuit's ruling in Aqua Products Inc. v. Matal.

In Aqua Products, the full appeals court discarded U.S. Patent and Trademark Office rules that put the burden on patent owners in America Invents Act reviews to show that proposed substitute claims are patentable.

The PTAB's opinion in Spex, which was designated as informative last week, provides information about the various requirements for motions to amend, including the burden of persuasion and what is a reasonable number of proposed substitute claims.

"If you're going to file a motion to amend, you need to read that case carefully," Jon Wright of Sterne Kessler Goldstein & Fox PLLC said.

With respect to burden of persuasion, the PTAB said it will typically be up to the challenger to show the proposed claims are not patentable. However, the board still has the ability to find claims unpatentable if the challenger drops out of the case.

The Spex opinion suggests that in the latter situation, the board will confine its review of the evidence to the "entirety of the record."

"The board isn't going to act like a super-examiner and do a search," Wright said. "They're still going to rely on the evidence of record."

Fox Factory Inc. v. SRAM LLC

In another April ruling, the PTAB upheld a SRAM LLC patent covering a bicycle chainring challenged by Fox Factory Inc. What made this decision unique was the board found evidence of secondary considerations weighed "significantly" in favor of the patent not being obvious.

Secondary considerations, which include things like the commercial success of an invention, are part of the analysis used to determine whether a patent would have been obvious. But it's been difficult for patent owners to win a case on these arguments.

Finding SRAM made an "extremely strong overall showing," the PTAB highlighted, among other things, a long-felt need for its invention; SRAM argued the problem of keeping a bike chain on a chainring existed for more than 100 years.

The board also highlighted praise that the chainring received — Bike Magazine called it "the biggest ... step forward in a long time" — and initial skepticism from those within the cycling industry about whether the chainring would work as intended.

"We find this evidence suggestive of non-obviousness and entitled to significant weight in our analysis," the board wrote.

One key factor was that SRAM was able to prove a tight connection between the evidence and the claimed features in the patent. This connection is referred to in legal terms as the nexus.

Nexus "is one thing that trips a lot of people up when you're trying to show objective indicia," Wright said. "That's one thing patent owners can look at."

Arctic Cat Inc. v. Polaris Industries Inc.

The PTAB's reluctance to allow live testimony during oral arguments was highlighted by its March decision in this case, which involves Arctic Cat's challenge to an ATV patent owned by rival Polaris.

After Arctic Cat argued a Polaris expert made inconsistent statements during a deposition, Polaris asked the PTAB to allow the expert a chance to give live testimony, contending it would help the board assess the individual's credibility.

While the PTAB agreed the expert's credibility was indeed an issue, it declined the request. Noting that live testimony was an "imposition of time and cost," the PTAB said Polaris hadn't shown something "out of the ordinary" that would justify such testimony.

"This case confirms that it is not going to be easy to get the board to hear live testimony at oral argument," Chetan Bansal of Paul Hastings LLP said.

The PTAB in its ruling contrasted this case to an earlier one, K-40 Electronics LLC v. Escort Inc., in which it did allow live testimony. The board noted, among other things, the witness in K-40 was a fact witness, rather than an expert witness.

It also said the witness' testimony in K-40 Electronics dealt with an issue that was dispositive to the case. That was not the situation in Polaris, according to the PTAB, which said there were numerous disputes other than the expert's credibility.

"When you take this case and then combine it with the K-40 one, you get a picture of when [the board] might allow it and when they might not," Wright said.

Samsung Electronics Co. Ltd. v. Ibex PT Holdings Co. Ltd.

Companies looking to challenge a patent after an earlier attempt came up short have faced an uphill battle ever since the PTAB's decision last year in General Plastic Industrial Co. Ltd. v. Canon.

The board in General Plastic outlined a series of baseline factors it will consider when determining whether to allow follow-on petitions. Attorneys have said the factors set a high bar for challengers to justify such petitions.

But Samsung cleared that bar in April, when the PTAB agreed to review an Ibex patent related to video coding technology.

Samsung's initial challenges failed because the PTAB did not agree with Samsung's proposed interpretation of a term in the patent. The company's later petitions took into account the PTAB's previous claim construction ruling.

"That is one of the few cases [where] we've seen the board apply General Plastics but institute," Naveen Modi of Paul Hastings said. Modi was one of the attorneys who represented Samsung in the proceeding.

There are a couple of factors that may have set Samsung's case apart during the PTAB's analysis of the General Plastic factors.

For one, the PTAB noted that Ibex didn't file a preliminary response to the first petitions, meaning Samsung didn't have a chance to use earlier arguments as a road map when it crafted its later petitions.

The PTAB also said the roughly two-month gap between the time it denied Samsung's request for a rehearing in the first cases and when Samsung filed the subsequent challenges wasn't unreasonable.

"I think this case confirms something that General Plastic said, which is it is not a per se rule that a follow-on petition by the same petitioner will be denied," Bansal said.

--Editing by Philip Shea and Alanna Weissman.
