

# 2019 PTAB YEAR IN REVIEW:

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ANALYSIS & TRENDS

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# Introduction

Powerful. Resilient. Ever-evolving. These characteristics of the Patent Trial and Appeal Board (PTAB) were on full display in 2019. This past year the PTAB received more than 1300 *inter partes* review (IPR), post grant review (PGR), and covered business method review (CBM) petitions, issued a similar number of institution decisions, and rendered nearly 500 final written decisions. These petitions and decisions involved more than 1800 unique patents – most of which are involved in co-pending district court litigation with billions of dollars on the line.

In 2019, PTAB proceedings increasingly led to stays, were often case dispositive of the co-pending district court litigations, and commonly drove settlement discussions. Less directly, but perhaps more importantly, the establishment of the PTAB forever changed patent application drafting and prosecution, licensing dynamics, and enforcement strategies. The PTAB's influence continued in 2019. **The PTAB is powerful.**

As in the past, the PTAB saw constitutional challenges to its very existence in 2019. And once again it survived, becoming ever stronger and more entrenched in the patent landscape. **The PTAB is resilient.**

Last year also saw updates to the Trial Practice Guide, more decisions designated precedential than ever before, new claim construction and motion to amend rules put into practice, the PTAB flexing its discretionary muscle, and almost 200 Federal Circuit decisions involving PTAB proceedings. **The PTAB is ever-evolving.**

Love it or hate it, the PTAB has had a tremendous impact on the patent landscape and continued to do so throughout 2019. This *Year in Review* explores the power, resilience and ever-evolving nature of the PTAB through a series of articles addressing many of the most significant developments that occurred over the past year. We do not simply summarize and rehash decisions. Rather, we apply our vast experience (75,000+ hours of PTAB experience by our authors) and data analytics to synthesize and dissect the many decisions, updates, and rule changes of 2019 to provide practical insights with an eye to the future.

We encourage you to not simply read the articles, but to critically challenge our analysis and consider the impacts on your patent strategies. And, of course, if you have questions or comments, let us know. We love to talk about PTAB matters and how they may impact your business. Lastly, we thank our authors and our entire PTAB team for making this publication possible.



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FEDERAL CIRCUIT APPEALS FROM THE PTAB



Summaries  
of Key 2019  
Decisions

 **Sterne Kessler**  
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*Federal Circuit Appeals from the PTAB: Summaries of Key 2019 Decisions* is available in the publications section of [sternekessler.com](http://sternekessler.com) or request a hard copy by emailing [marketing@sternekessler.com](mailto:marketing@sternekessler.com).

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# Petitioners Beware Discretionary Denial

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## SUMMARY

In August 2018, the Patent Office foreshadowed that the Board would be expanding the use of its discretion under 35 U.S.C. §§ 314(a)/324(a) and 325(d) to deny petitions. The Office explained that “[t]here may be other reasons besides the ‘follow-on’ petition context where the ‘effect . . . on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings’” favors discretionary denial.<sup>1</sup> The Office additionally foreshadowed that the Board would be considering “events in other proceedings related to the same patent, either at the Office, in district courts, or the ITC” when deciding whether to exercise its discretion.<sup>2</sup>

These were not idle words. In 2019, the Board issued a number of precedential and informative decisions that significantly expanded how and under what circumstances the Board will exercise its discretion to deny a petition. Judicial efficiency and consistency (both within the Office and between different patent tribunals), as well as procedural fairness, were the primary bases underlying these decisions. The reasons for discretionary denial that were clarified or expanded in these decisions included expansion of the *General Plastic* factors to different petitioners, consideration of parallel district court and ITC proceedings, parallel petitions challenging the same patent, considerations of the SAS Decision, voluminous grounds in a single petition, and prior art or arguments previously considered.

## INCREASING JUDICIAL EFFICIENCY AND CONSISTENCY WITHIN THE PATENT OFFICE

In 2019, the Board took significant steps to increase judicial efficiency and consistency among proceedings (AIA trials and examination) within the Patent Office.

### 1. Extension of the *General Plastic* factors to different petitioners

Before 2019, the Board and some practitioners were concerned with the practice of filing “follow on” petitions, which are subsequent petitions filed by the same petitioner that challenge the same patent claims. A primary concern was that petitioners could gain an unfair advantage by using the patent owner’s and the Board’s positions in the first proceeding as a roadmap when preparing a subsequent petition. In response, the Board issued its precedential decision in *General Plastic*, which enumerated a list of non-exclusive factors that the Board considers when determining whether to exercise its discretion to deny a follow on petition.<sup>3</sup>

Last year, the Board issued a precedential decision in *Valve Corp. v. Elec. Scripting Prods., Inc.* that expanded

the application of the *General Plastic* factors to situations where *different* petitioners file separate petitions challenging the same patent.<sup>4</sup> In these situations, the Board considers “any relationship between those petitioners while weighing the *General Plastic* factors.”<sup>5</sup>

In *Valve Corp.*, HTC, Valve’s co-defendant in the parallel district court proceeding, had previously filed a petition for *inter partes* review, currently pending at the PTAB.<sup>6</sup> The Board determined that “[t]he complete overlap in the challenged claims and the significant relationship between Valve and HTC favor[ed] denying institution.”<sup>7</sup> Further, Valve waited until the Board instituted HTC’s petition to file its own petitions and filed not one but three additional petitions challenging the same patent.<sup>8</sup> The Board stated that this strategy “is inefficient and tends to waste resources.”<sup>9</sup> Therefore, weighing the *General Plastic* factors, the Board exercised its discretion to deny Valve’s petitions under § 314(a).

*Valve Corp.* curtails the ability of defendants (particularly those in a joint defense group) to take a “wait and see” approach when considering whether to file a PTAB petition. To avoid the ramifications of *Valve Corp.*, parties accused of patent infringement should decide, as early as possible, whether their defense will include an invalidity challenge at the PTAB and, if so, should move forward as quickly as possible with filing a robust petition. On the other hand, *Valve Corp.* provides patent owners with another tool to combat multiple petitions filed against the same patent.

### 2. Multiple, Simultaneous Petitions Filed by the Same Petitioner Against the Same Patent

In its July 2019 update to the AIA Trial Practice Guide, the Patent Office addressed the issue of parallel petitions challenging the same patent, prompted by recent cases in which multiple petitions were concurrently filed against the same claims of the same patent.<sup>10</sup> The Patent Office now warns that “[t]wo or more petitions filed against the same patent at or about the same time (e.g., before the first preliminary response by the patent owner) may place a substantial and unnecessary burden on the Board and the patent owner and could raise fairness, timing, and efficiency concerns.”<sup>11</sup> While the Patent Office acknowledges that multiple petitions may be necessary in certain cases, this scenario should be rare, for example, when a large number of claims have been asserted in litigation or there is a dispute

In 2019, the Board took significant steps to increase judicial efficiency and consistency among proceedings (AIA trials and examination) within the Patent Office.

about a patent's priority date requiring arguments under multiple prior art references.<sup>12</sup>

When multiple petitions are filed, the July 2019 Update states that the petitioner should identify, in either the petition or a separate paper: "(1) a ranking of the petitions in the order in which it wishes the Board to consider the merits, if the Board uses its discretion to institute any of the petitions, and (2) a succinct explanation of the differences between the petitions, why the issues addressed by the differences are material, and why the Board should exercise its discretion to institute additional petitions if it identifies one petition that satisfies petitioner's burden under 35 U.S.C. § 314(a)."<sup>13</sup>

In practice, petitioners should consider whether multiple prior art grounds are needed to challenge a single patent. In the interests of judicial efficiency and fairness to patent owners, the Board is unlikely to institute multiple petitions against the same patent absent exceptional circumstances. A petitioner in this position should clearly explain why they would be unfairly disadvantaged in the case that only one petition is instituted, referencing the example rationales in the Office Trial Practice Guide July 2019 Update when possible.

### **3. Impact of *SAS Institute Inc. v. Iancu*: Exercising Discretion When Too Few Grounds Meet the Standard for Institution**

Following *SAS Institute Inc. v. Iancu*, the Board is required to either (a) institute as to all claims challenged in a petition on all grounds presented in the petition, or (b) deny institution of the petition entirely. In other words, the Board is no longer free to choose which claims or grounds to institute and must institute or deny the petition as a whole.

Importantly, even if the Board determines that there is a reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged in a petition, 35 U.S.C. §§ 314(a) and 324(a) nevertheless provide the Board discretion to deny institution. The Board designated as informative two cases addressing this issue on April 5, 2019—*Deeper, UAB v. Vexilar, Inc.* and *Chevron Oronite Co. v. Infineum USA L.P.* In each of these cases, the Board denied institution in the interest of efficiency, because the petitioner did not establish a reasonable likelihood of prevailing on the majority of challenged claims.

In *Deeper, UAB v. Vexilar, Inc.*, the Board determined that institution of 23 claims under four grounds "would not be an efficient use of the Board's time and resources" when institution was only warranted for two claims and one ground.<sup>14</sup> Similarly, in *Chevron Oronite Co. v. Infineum USA L.P.*, the Board determined that the petitioner demonstrated, "at most, a reasonable likelihood of prevailing with respect to two dependent claims out of a total of twenty challenged claims," and institution would not be "an efficient use of the Board's time and resources."<sup>15</sup> Patent owners should keep these cases in

mind when faced with a petition that is deficient with respect to a large number of claims or grounds.

### **4. Voluminous Grounds in a Single Petition**

The Board also clarified that voluminous and excessive grounds presented in a petition can serve as a justification for denial under § 314(a). For example, in *Adaptics Ltd. v. Perfect Co.*, the Board concluded that the petition contained "voluminous and excessive grounds," including a "catch-all" ground asserting every combination of ten different references.<sup>16</sup> The Board then denied institution of the petition "in the interests of efficient administration of the Office and integrity of the patent system and as a matter of procedural fairness to Patent Owner."<sup>17</sup>

### **5. Denial Under § 325(d) Based on Prior Art or Arguments Previously Considered**

35 U.S.C. § 325(d) provides the Board discretion to deny a petition based on whether the same or substantially the same prior art or arguments were previously presented to the Patent Office. In exercising this discretion, the Board considers certain non-exclusive factors, and the PTAB designated these factors as precedential on August 2, 2019.<sup>18</sup>

These non-exclusive factors include: (1) the similarities and material differences between the asserted art and the prior art involved during examination; (2) the cumulative nature of the asserted art and the prior art evaluated during examination; (3) the extent to which the asserted art was evaluated during examination; (4) the extent of the overlap between the arguments made during examination and the manner in which a petitioner relies on the prior art or a patent owner distinguishes the prior art; (5) whether a petitioner has pointed out sufficiently how the Examiner erred in evaluating the asserted prior art; and (6) the extent to which additional evidence and facts presented in the petition warrant reconsideration of the prior art or arguments.<sup>19</sup>

Use of these factors in denying institution of a petition prevents the Patent Office from duplicating work already performed, as well as the patent owner from expending resources to repeatedly defend a patent against the same or similar prior art and arguments. Thus, petitions asserting art or arguments similar to those already considered by the Patent Office should be accompanied by substantial explanation of why the petition warrants consideration by the PTAB. Furthermore, petitioners should consider not only art and arguments examined during prosecution, but also petitions previously filed by other parties.<sup>20</sup>

## **INCREASING JUDICIAL EFFICIENCY AND CONSISTENCY AMONG PATENT TRIBUNALS**

In 2019, the Board also expanded its use of discretion to deny petitions in the interest of judicial efficiency among different patent tribunals, including both U.S. District Courts and the International Trade Commission (ITC).



## 1. Exercising Discretion in View of Parallel District Court Proceedings

In *NHK Spring Co., Ltd. v. Intri-Plex Techs., Inc.*, designated precedential on May 7, 2019, the Board denied institution of a petition for *inter partes* review in favor of the parallel district court proceeding.<sup>21</sup> In that case, the Board determined that instituting the petition would be “an inefficient use of Board resources” because the parallel district court proceeding involved the same patent and parties, the same claim construction standard, the same prior art references, and the same arguments, and it was scheduled to be completed before a final decision would have issued by the PTAB.<sup>22</sup>

Moreover, since November 13, 2018, the Board has applied the same claim construction standard as the district court.<sup>23</sup> Thus, the Board clarified in 2019 that it is now more inclined to deny a petition in favor of parallel district court proceedings when the district court proceeding is set to conclude before one at the PTAB.<sup>24</sup>

## 2. Exercising Discretion in View of Parallel ITC Proceedings

In *Bio-Rad Laboratories, Inc. v. 10X Genomics, Inc.*, the Board also expounded that parallel proceedings challenging the same patent at the ITC can provide “a favorable basis for denying [a] [p]etition.”<sup>25</sup> In that case, the parallel ITC proceeding involved the same parties, a challenge to the same independent claim of the same patent, the same claim construction standard, consideration of the same prior art, consideration of the same declarants, and the administrative law judge’s issuance of an Initial Determination stating that no claims of the patent have been shown to be invalid.<sup>26</sup> The Board therefore denied the petition for *inter partes* review, providing that “even if the Petition would have met the threshold standards for institution, instituting a trial would be an inefficient use of Board resources.”<sup>27</sup>

In sum, parties considering or involved in post-grant proceedings at the PTAB need to consider the Board’s push during the last year to improve judicial efficiency and fairness to patent owners, beyond merely considering the substantive merits of a petition. Experienced counsel attentive to these issues can greatly reduce the risk associated with the Board’s discretionary denial authority.

<sup>1</sup> Office Trial Practice Guide, August 2018 Update at 10.

<sup>2</sup> *Id.*

<sup>3</sup> *General Plastic Indus. Co., Ltd. v. Canon Kabushiki Kaisha*, IPR2016-01357, Paper 19 at 15–16 (P.T.A.B. Sept. 6, 2017) (precedential).

<sup>4</sup> *Valve Corp. v. Elec. Scripting Prods., Inc.*, IPR2019-00064, Paper 10 at 10 (P.T.A.B. May 1, 2019) (precedential).

<sup>5</sup> *Id.* at 10.

<sup>6</sup> *Id.*

<sup>7</sup> *Id.* at 11.

<sup>8</sup> *Id.* at 16.

<sup>9</sup> *Id.*

<sup>10</sup> Office Trial Practice Guide, July 2019 Update at 26–28 (referencing *Comcast Cable Commc’ns, LLC v. Rovi Guides, Inc.*, IPR2019-00224, -00225, -00226, -00227, -00228, -00229, Paper 10 (P.T.A.B. Apr. 3, 2019)).

<sup>11</sup> *Id.* at 26.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.* at 27.

<sup>14</sup> *Deeper, UAB v. Vexilar, Inc.*, IPR2018-01310, Paper 7 at 41–43 (P.T.A.B. Jan. 24, 2019) (informative).

<sup>15</sup> *Chevron Oranite Co. v. Infineum USA L.P.*, IPR2018-00923, Paper 9 at 10–11 (P.T.A.B. Nov. 7, 2018) (informative).

<sup>16</sup> *Adaptics Ltd. v. Perfect Co.*, IPR2018-01596, Paper 20 at 17–24 (P.T.A.B. Mar. 6, 2019) (informative).

<sup>17</sup> *Id.*

<sup>18</sup> *See Becton, Dickinson & Co. v. B. Braun Melsungen AG*, IPR2017-01586, Paper 8 at 17–18 (P.T.A.B. Dec. 15, 2017) (precedential).

<sup>19</sup> *Becton, Dickinson & Co.*, IPR2017-01586, Paper 8 at 17–18.

<sup>20</sup> *See, e.g., Valve Corp.*, IPR2019-00064, Paper 10.

<sup>21</sup> *NHK Spring Co., Ltd. v. Intri-Plex Techs.*, IPR2018-00752, Paper 8 at 19–21 (P.T.A.B. Sept. 12, 2018).

<sup>22</sup> *Id.*

<sup>23</sup> Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board, 83 Fed. Reg. 51,340, 51,340–41 (Oct. 11, 2018); 37 C.F.R. § 42.100(b).

<sup>24</sup> *See, e.g., Next Caller Inc. v. TRUSTID, Inc.*, IPR2019-00961, -00962, Paper 10 at 10, 14–15 (P.T.A.B. Oct. 16, 2019).

<sup>25</sup> *Bio-Rad Laboratories, Inc. v. 10X Genomics, Inc.*, IPR2019-00567, Paper 23 at 28 (P.T.A.B. Aug. 8, 2019).

<sup>26</sup> *Id.* at 27–29.

<sup>27</sup> *Id.* at 29.

# PTAB Operation Under *Phillips*: Business as Usual with New Strategic Implications

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## Summary

One of the most notable recent changes in post-grant proceedings was replacing the broadest reasonable interpretation (“BRI”) claim construction standard with the *Phillips* standard used to construe claims in federal court. Because the Board began applying the new claim construction standard only to petitions filed after November 13, 2018, the 2019 calendar year was the first full year the Board applied the new standard. Therefore, the time is ripe to evaluate the effects and strategic implications of the new claim construction standard. Specifically, none of the concerns many expressed about moving to the *Phillips* standard have materialized, while the primary objective of enhancing consistency and reducing gamesmanship seems to be well on its way to being realized. Therefore, patent owners and petitioners alike must adjust their strategies for addressing co-pending district court litigation and Patent Trial and Appeal Board (PTAB) proceedings.

## Overview of the Standards

The BRI standard requires determining the “broadest reasonable meaning of [a claim’s] words in their ordinary usage as they would be understood by one of ordinary skill in the art, taking into account whatever enlightenment by way of definitions or otherwise that may be afforded by the written description contained in the applicant’s specification.”<sup>1</sup> In contrast, the *Phillips* standard requires giving claim terms their ordinary and customary meaning according to a person of ordinary skill in the art in question at the time of the invention.<sup>2</sup> Whether claim terms have significantly different meanings under BRI and *Phillips* is a murky and oft-debated topic. That said, the consensus view is that the meaning of a term under BRI can be broader or as broad as the meaning under *Phillips*, but not narrower.<sup>3</sup>

As part of moving to the *Phillips* standard, the rules governing the procedure of post-grant proceedings now state that “[a]ny prior claim construction determination concerning a term of the claim in a civil action, or a proceeding before the International Trade Commission, that is timely made of record in the inter partes review proceeding will be considered.”<sup>4</sup> The Board’s Trial Practice Guide now instructs that “[p]arties should submit a prior claim construction determination by a federal court or the ITC in an AIA proceeding as soon as that determination becomes available,” and indicates that the Board will give such parallel constructions “appropriate weight.”<sup>5</sup>

## Objectives Being Achieved, Concerns Not Materializing

The impetus behind the PTAB’s shift from BRI to *Phillips* was providing consistency for and reducing gamesmanship by the parties. Indeed, the USPTO’s publicly stated rationale in changing the claim construction standard was that “[m]inimizing differences between claim construction standards used in the various fora will lead to greater uniformity and predictability of the patent grant, improving the integrity of the patent system.”<sup>6</sup>

IPR institution decisions over the last year suggest that the claim construction standard switch is providing the intended benefit of unity between proceedings. For example, one Board panel adopted a series of district court constructions, noting that they were “reasonable.”<sup>7</sup> Another Board panel addressed proposed constructions that the patent owner provided in the related district court litigation, despite those constructions not being necessary for its institution decision.<sup>8</sup> That said, there is no guarantee that Board panels will arrive at the same construction as another forum (nor is there any guarantee that a district court will agree with the Board).<sup>9</sup> Overall, the last year’s decisions illustrate the Board’s efforts to consider and align its claim construction decisions with those from other forums, giving significant weight to prior district court constructions. This has significantly reduced the gamesmanship of parties arguing different claim constructions depending on the forum—for example, a petitioner/defendant arguing for a broad interpretation at the PTAB to invalidate the claims, but a narrow construction in district court to avoid infringement.

When the switch to the *Phillips* standard was proposed, one concern was that the change would make it more difficult to challenge patents in IPR proceedings. It was speculated that invalidating patents would be more difficult because the potentially narrower meaning of terms under *Phillips* would mean fewer prior art references would be applicable under those narrower meanings. Thus far, there is no indication this is the case. For cases filed between November 13, 2017 and the November 13, 2018 implementation date, the Board instituted IPR proceedings in 59.9% of cases. For the approximately 1300 cases filed since the switch to *Phillips*, the institution rate is 59.8% (statistics via Docket Navigator). There have not yet been any final written decisions issued in cases filed under the *Phillips* standard, but the Board’s statutorily mandated 18 month

timetable means we can expect to see such decisions begin to arrive in May of this year (i.e., within 18 months of the first petitions filed after November 13, 2018).

Another concern about implementing the *Phillips* standard was that the amendment process in IPR might allow broad claims to issue that would not issue if reviewed under BRI. This concern, however, has not materialized to any significant extent, if at all. As before the switch, few parties move to amend claims during IPR proceedings. And even in those cases, the grant rate for amendments remains low. The Board ruled on just 87 motions to amend in 2019 out of over 1,300 post-grant proceedings considered. According to Docket Navigator, the Board granted only ten of those motions (and partially granted another four). Both the number of motions to amend and the number of motions granted represent single-year highs in the history of the PTAB, even as the USPTO made modifications to its processes to facilitate claim amendment in PTAB proceedings. The Board is notoriously particular about granting claim amendments, and in view of that high scrutiny the difference between BRI and *Phillips* has not appeared to move the needle appreciably on the number of claims allowed via amendment. And we are not aware of any indication that the few allowed claims are broader than might be expected under BRI—especially given that the Board may deny amendments if they “seek[] to enlarge the scope of the claims” relative to those allowed during prosecution under BRI.<sup>10</sup>

### Important Strategic Considerations

From a strategy perspective, the most significant impact of the BRI to *Phillips* switch is an increased need to develop a claim construction strategy at an early stage of a patent dispute. Regardless of whether that dispute originates in a district court, the PTAB, or the ITC, the alignment in claim construction standards means that parties should identify and consistently apply construction positions that will provide the best overall chance for success across all forums. Any gamesmanship in trying to vary positions will likely be called out by the opposing party and be frowned upon by judges, which can undermine credibility in all proceedings.

From a patent owner’s perspective, it is now, more than ever, advisable to be proactive in considering whether a

defendant or competitor may initiate a PTAB challenge against an asserted patent and what claim construction positions would be compatible with such a challenge. Generally, a patent owner should avoid overly-narrow claim construction positions in an IPR, as that will make infringement contentions difficult. Conversely, a patent owner should avoid overly-broad claim construction positions in infringement arguments, as that will broaden the art so much that defending the patent at the PTAB becomes difficult. If it is feasible to take a middle path in which the claims seem likely to survive a PTAB challenge while maintaining an infringement argument, a patent owner remains in a good position for a multi-front legal dispute.

From a petitioner’s perspective, it is necessary to be wary of taking contradictory positions between forums. For example, it is now more difficult to take different positions on indefiniteness or means-plus-function status in different forums. However, given the quick resolution and lower cost at the PTAB, it may be advantageous to take broad construction positions, thereby providing the most efficient opportunity to invalidate the challenged claims—perhaps even avoiding the question of infringement altogether by invalidating the claims while district court litigation is stayed. That possibility, combined with the leverage provided by an IPR to settle a district court case (27% of proceedings settle before reaching a final decision), means that a district court may ultimately not resolve the dispute.

To date, the PTAB’s decision to use the *Phillips* standard has not had significant consequences on the day-to-day operation of the PTAB or the Board’s institution decisions. However, it has significantly influenced strategic considerations—and the timing thereof—particularly for parties that face parallel proceedings at the PTAB and elsewhere. Despite these new considerations, we expect the PTAB to continue as the primary battleground for patent validity due to its efficiencies in cost and timing.

From a strategy perspective, the most significant impact of the BRI to *Phillips* switch is an increased need to develop a claim construction strategy at an early stage of a patent dispute.

<sup>1</sup> *In re Morris*, 127 F.3d 1048, 1054 (Fed. Cir. 1997).

<sup>2</sup> *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313-1318 (Fed. Cir. 2005) (*en banc*).

<sup>3</sup> See, e.g., *Facebook, Inc. v. Pragmatus AV, LLC*, Nos. 2013-1350, 2013-1351, 2014 WL 4454956, 4 (Fed. Cir. Sep. 11, 2014) (nonprecedential).

<sup>4</sup> 37 C.F.R. §§ 42.100(b), 42.200(b), and 42.300(b).

<sup>5</sup> See Patent Trial and Appeal Board Consolidated Trial Practice Guide, November 2019, at 47. Also, note that submission of prior claim construction determinations are “mandatory” under 37 C.F.R. § 42.51(b) if it is “relevant information that is inconsistent with a position advanced by the party during the proceeding.” *Id.*

<sup>6</sup> Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board, 83 Fed. Reg. 51,340, 51,342 (Oct. 11, 2018).

<sup>7</sup> *Facebook, Inc. v. BlackBerry Ltd.*, IPR2019-00924, Paper 15 at 8 (P.T.A.B. Oct. 9, 2019); see also, *Amazon.com, Inc. v. Rensselaer Polytechnic Inst.*, IPR2019-01068, Paper 10 at 9-10 (P.T.A.B. Nov. 14, 2019) (adopting multiple district court constructions).

<sup>8</sup> *Niantic, Inc. v. Barbaro Techs, LLC*, IPR2019-00672, Paper 8 at 8-10 (P.T.A.B. Sept. 5, 2019).

<sup>9</sup> See, e.g., *Renesas Elecs. Corp. v. Broadcom Corp.*, IPR2019-01040, Paper 9 at 11-19 (agreeing with only some of the ITC’s claim constructions); *Semiconductor Components Indus, LLC v. Power Integrations, Inc.*, IPR2018-01813, Paper 10 at 13 (preliminarily agreeing with district court construction, but reserving the right to “reconsider” construction after full briefing); 83 Fed. Reg. at 51,355 (decisions from other forums will be given “appropriate weight”).

<sup>10</sup> 37 C.F.R. §42.121(a)(2)(ii).

# Dramatic Changes to Motion to Amend Practice

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## Summary

Motions to amend have historically been viewed as an exercise in futility. The Director of the United States Patent and Trademark Office (USPTO), Andrei Iancu, agrees, having publicly stated that “[s]ome have suggested that parties have simply stopped even trying to amend the claims because they see the effort as largely futile.”<sup>1</sup> Director Iancu has since set his sights on overhauling this failing motion-to-amend system.<sup>2</sup>

The USPTO took significant strides toward achieving that goal in 2019. In addition to issuing a precedential decision

on motions to amend,<sup>3</sup> the USPTO initiated a new pilot program on motions to amend on March 15, 2019.<sup>4</sup> This new pilot program, if opted into, offers several procedural changes that provide patent owners with the ability to refine their motions to amend. After the new pilot program was instituted, we saw a substantial

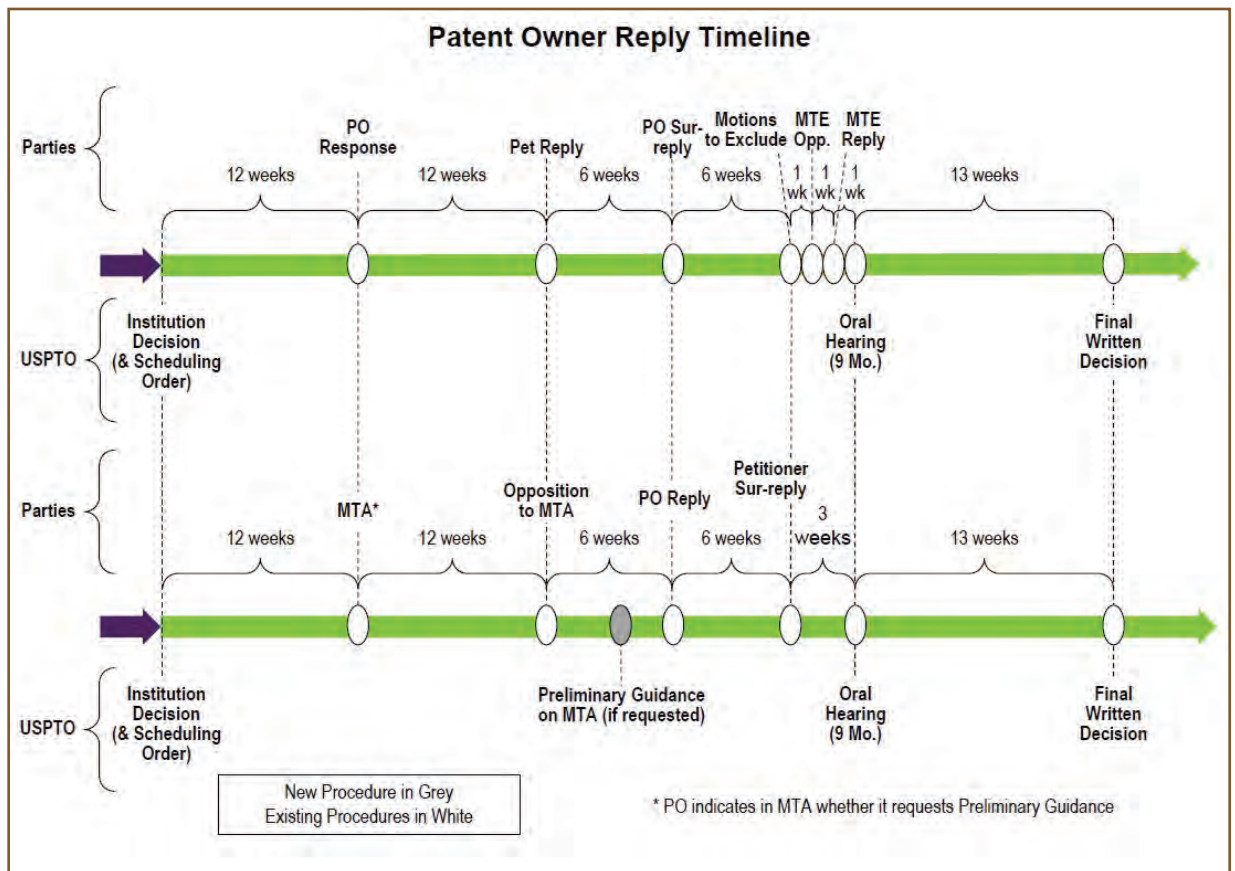
increase in the number of motions to amend filed in 2019 as compared to those of previous years.<sup>5</sup> The initial indications, however, are that patent owners’ success rates of proposing patentable substitute claims have not significantly increased under the new pilot program.

## Changes to Motions to Amend

The new pilot program created two additional options for patent owners when navigating the motion-to-amend process. First, a patent owner may choose to receive preliminary guidance from the Board on its motion to amend. Second, a patent owner may choose to file a revised motion to amend after receiving the petitioner’s opposition to the original motion to amend or after receiving the Board’s preliminary guidance (if requested).<sup>6</sup>

Should the patent owner request preliminary guidance, the Board will determine if the patent owner has met the regulatory and statutory requirements, as outlined in *Lectrosionics*. To meet statutory and regulatory requirements, a motion to amend must: propose a reasonable number of substitute claims; propose

Patent owners’ success rates of proposing patentable substitute claims have not significantly increased under the new pilot program.



substitute claims that do not enlarge the scope of the claims or introduce new subject matter; respond to a ground of unpatentability involved in the trial; and set forth written description support for each substitute claim.<sup>7</sup> The Board also determines if the petitioner has established a reasonable likelihood that the proposed substitute claims are unpatentable.<sup>8</sup> The Board can issue its guidance in a short, non-binding paper or orally by conference call. In response to the petitioner's opposition to the motion to amend and/or the Board's preliminary guidance (if requested), the patent owner may take one of two options: (i) reply to the petitioner's opposition to the motion to amend and the preliminary guidance (if requested); or (ii) file a revised motion to amend.

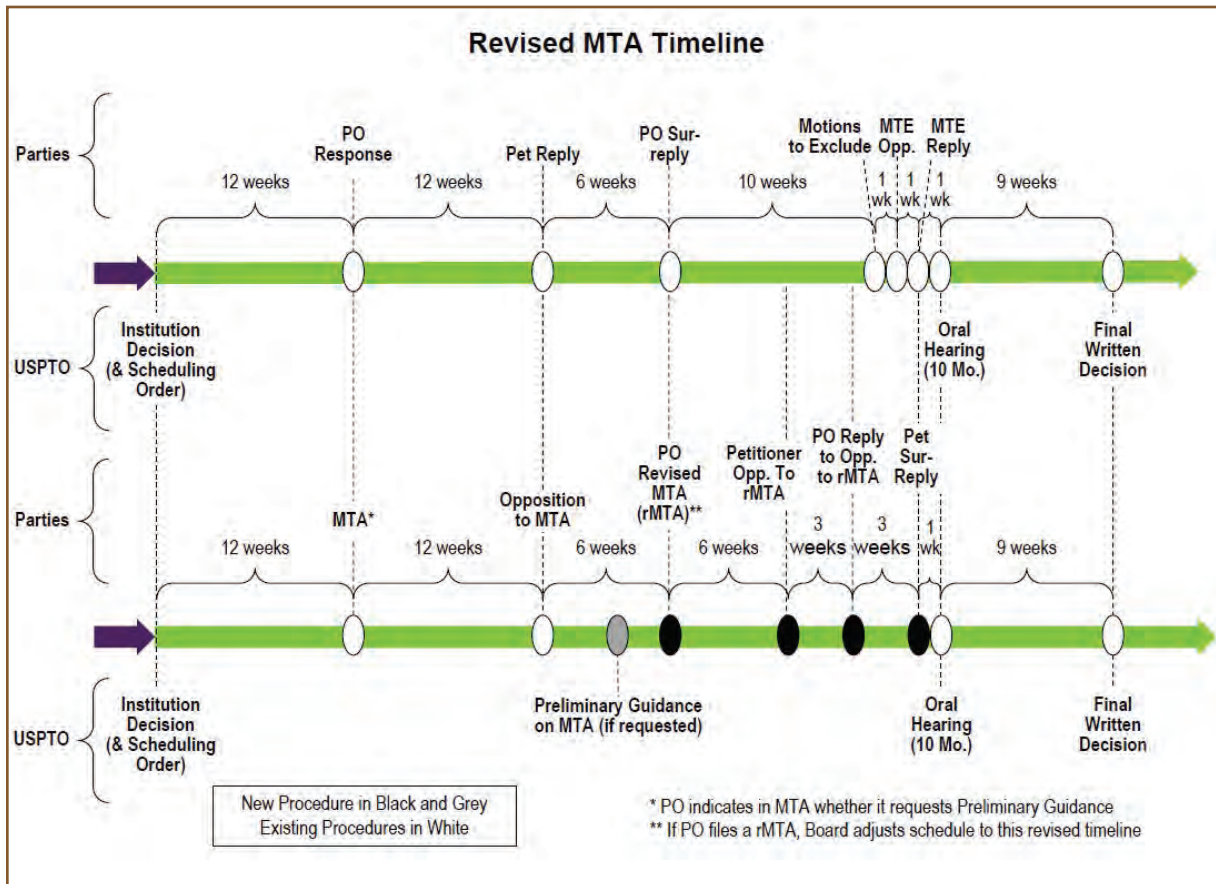
If the patent owner chooses to file a revised motion to amend, the patent owner must include one or more newly proposed substitute claims, in place of previously presented substitute claims, that address the issues identified within the preliminary guidance and/or the petitioner's opposition. When filing a revised motion to amend, the patent owner can include substitute claims, arguments, or evidence that were previously presented within the original motion to amend. It is important to note that any new substitute claim, argument, and/or evidence filed in the revised motion to amend must be related to an issue raised in the preliminary guidance and/or the petitioner's opposition to the motion to amend. Lastly,

if the patent owner files a revised motion to amend, the Board will issue a new schedule. Timelines comparing the changes to the scheduling order can be found on pages 12 and 13.

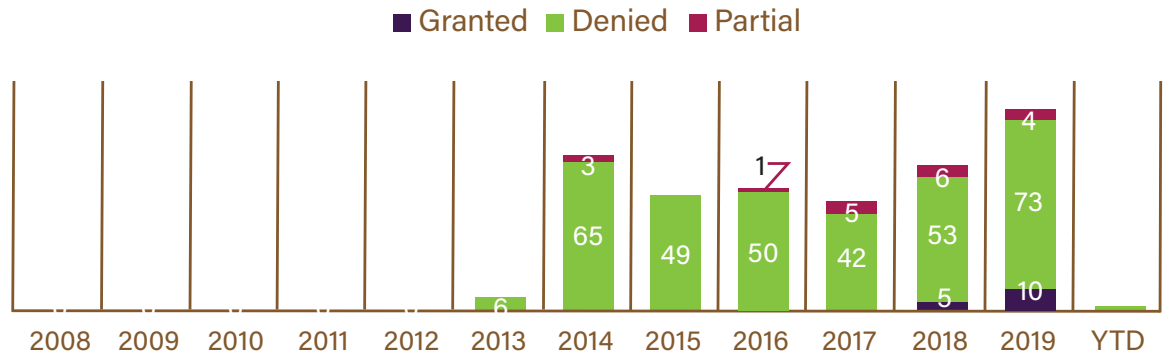
### Implications and Statistics

As shown by the figure titled "Motions to Amend Filed" on the following page, 87 Motions to amend were decided in 2019—more than in any previous year. And ten motions to amend were granted in 2019, which is twice as many as in any previous year. This increase in motions to amend being decided and granted coincides with Director Iancu's focus on improving the motion-to-amend process and the creation of the new pilot program. If the trend continues, it is likely that more motions to amend will be filed and granted in 2020.

But the initial data suggests that patent owners are not any more successful under the new pilot program than they were under the previous regime. After ten months under the new pilot program, the Board issued preliminary guidance on motions to amend only 12 times.<sup>9</sup> In the preliminary guidance, the Board determines two things: (i) whether the patent owner has met the statutory and regulatory guidelines for motions to amend; and (ii) whether the petitioner has established a reasonable likelihood that the proposed substitute claims are unpatentable. As indicated in the chart titled



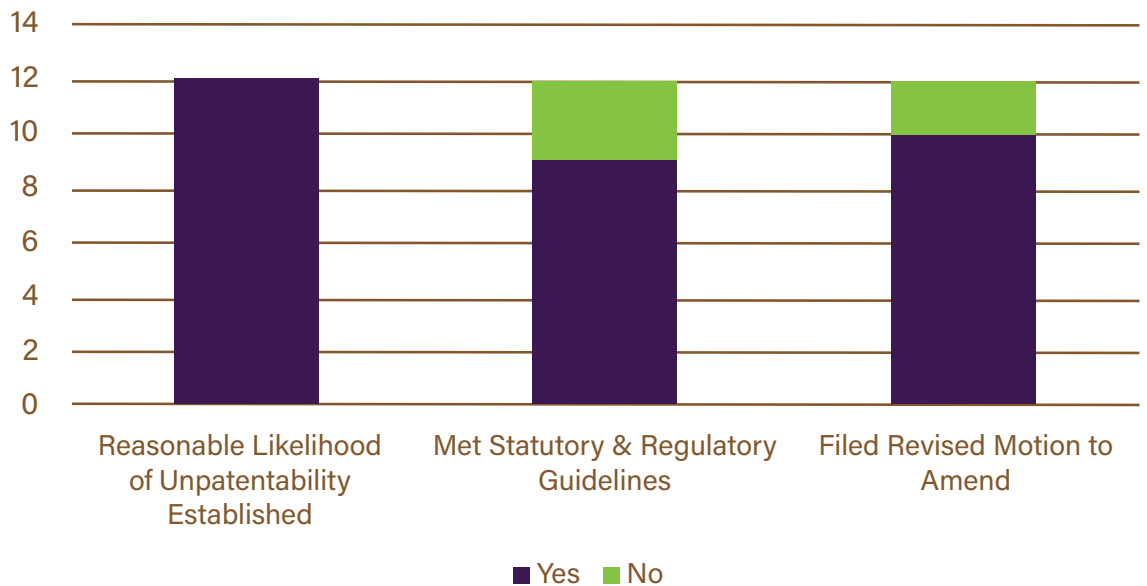
# MOTIONS TO AMEND FILED



“Preliminary Guidance,” the initial data shows that patent owners have met the statutory and regulatory guidelines for motions to amend in 75% of cases, but the Board found in all 12 cases that the petitioner established a reasonable likelihood that the proposed substitute claims were unpatentable. Although these are only preliminary findings and not final determinations of unpatentability, the initial indications are that patent owners’ likelihood of success on motions to amend has not increased substantially under the new pilot program. While the data on preliminary guidance seems to paint a bleak picture for the patentability of the proposed

substitute claims, the patent owners in these cases still have an opportunity to file a revised motion to amend. To date, ten revised motions to amend have been filed. Since there have not yet been any final written decisions for these cases, it is still too early to tell whether the pilot program has indeed overhauled the motion-to-amend process. It seemed as though the new pilot program would favor patent owners, but the initial numbers suggest otherwise. We will have to wait for data on final written decisions after receiving preliminary guidance to see if the new pilot program truly favors patent owners.

## Preliminary Guidance



<sup>1</sup> Remarks by Director Iancu at the American Intellectual Property Law Association Annual Meeting, October 25, 2018 (available at <https://www.uspto.gov/about-us/news-updates/remarks-director-iancu-american-intellectual-property-law-association-annual>).

<sup>2</sup> *Id.*

<sup>3</sup> *Lectrosonics, Inc. v. Zaxcom, Inc.*, Case IPR2018-01129, Paper 15 (P.T.A.B. Feb. 25, 2019).

<sup>4</sup> United States Patent & Trademark Office, 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, 84 Fed. Reg. 9,497 (Mar. 15, 2019).

<sup>5</sup> Data collected from Docket Navigator (available at <https://www.docketnavigator.com>).

<sup>6</sup> United States Patent & Trademark Office, 84 Fed. Reg. 9,497 (Mar. 15, 2019).

<sup>7</sup> *Id.* at 9,500; see also 35 U.S.C. 316(d), 326(d); 37 CFR 42.121, 42.221.

<sup>8</sup> United States Patent & Trademark Office, 84 Fed. Reg. 9,497 (Mar. 15, 2019).

<sup>9</sup> See, e.g., *Mylan Pharms. Inc. v. Sanofi-Aventis Deutschland GmbH*, IPR2018-01682, Paper 62; IPR2018-01679, Paper 55; and IPR2018-01680, Paper 65 (P.T.A.B. Oct. 16, 2019); *FormFactor, Inc. v. Feinmetall GmbH et al.*, IPR2019-00082, Paper 23; IPR2019-00080, Paper 24 (P.T.A.B. Nov. 5, 2019); *L&P Property Management Company et al. v. Remacro Machinery & Technology (Wujiang) Co., Ltd.*, IPR2019-00255, Paper 23 (P.T.A.B. Nov. 8, 2019); *Henrob Ltd. et al. v. Newfrey LLC*, IPR2019-00269, Paper 19 (P.T.A.B. Nov. 13, 2019); *KOA Corporation v. Vishay Dale Electronics, LLC f/k/a Vishay Dale Electronics, Inc.*, IPR2019-00201, Paper 21 (P.T.A.B. Nov. 14, 2019); *Becton, Dickinson and Company v. Baxter Corporation Englewood*, IPR2019-00121, Paper 39; IPR2019-00120, Paper 39 (P.T.A.B. Nov. 14, 2019); *Apple Inc. v. Zomm, LLC*, IPR2019-00275, Paper 16 (P.T.A.B. Nov. 19, 2019); *ZTE (USA) Inc. et al. v. CyWee Group Ltd.*, IPR2019-00143, Paper 35 (P.T.A.B. Dec. 5, 2019).

# The PTAB's Evolving Evidentiary Standards: Printed Publications at the Institution Phase

AUTHORS: TRENT W. MERRELL & CHRISTOPHER R. O'BRIEN

## Summary

The PTAB's evolving evidentiary standards often perplex petitioners and patent owners. Historically, significant party effort has gone into attempting to establish that non-patent literature, such as articles, textbooks, conference proceedings, and the like qualified as a printed publication. Often times this was a frustrating exercise in futility given the lack of reasonable certainty as to what a particular panel would require. In 2019, the Patent Trial and Appeal Board (PTAB) addressed this issue head-on through the newly formed Precedential Opinion Panel (POP). Namely in *Hulu, LLC, v. Sound View Innovations, LLC*,<sup>1</sup> the POP determined that at the institution phase of trial "a petitioner must establish a reasonable likelihood that a reference is a printed publication."<sup>2</sup> And if trial is instituted, the petitioner has the burden to prove that "the reference is a printed publication by a preponderance of the evidence."<sup>3</sup> The POP also endorsed several other cases addressing printed publication issues and provided helpful guidance.

## Laying the Hulu Groundwork

In September 2018, the PTAB created the POP to decide issues of exceptional importance and thereby establish binding authority before the PTAB.<sup>4</sup> It was thus no surprise that 2019 saw the first POP decisions, including the POP's decision in *Hulu, LLC, v. Sound View Innovations, LLC*.<sup>5</sup>

Before arriving at the POP, the initial panel in *Hulu v. Sound View Innovations* was asked to determine whether a specific textbook qualified as a "printed publication" that was "publicly available" and then, based on those inquiries, whether the textbook qualified as prior art against the challenged patent.<sup>6</sup> The initial panel denied institution because it found that the Petitioner's attempt to show that the textbook ("Dougherty") was "publicly accessible" was "legally insufficient for multiple reasons" and therefore did not qualify as prior art. Specifically, the panel found that the Petitioner proffered public-availability evidence for a version of Dougherty that was different from the version relied upon in the petition and that it was unclear which version of the textbook was printed later.<sup>7</sup> In denying institution, the panel explained that "the Board cannot speculate as to when and even whether, based only on a copyright year and the identity of the owner of copyright, the book was sufficiently publicly accessible."<sup>8</sup> Because previous PTAB panel decisions offered conflicting opinions on this issue, POP review was granted.

The POP specifically ordered a review on rehearing to address the question: "What is required for a petitioner

to establish that an asserted reference qualifies as 'printed publication' at the institution stage?"<sup>9</sup> The POP's Answer: At the institution-phase of trial, "a petitioner must establish a reasonable likelihood that a reference is a printed publication."<sup>10</sup> And if trial is instituted, the petitioner has the burden to prove that "the reference is a printed publication by a preponderance of the evidence."<sup>11</sup>

The POP further concluded that each decision must be made based on the totality of evidence on the record for each proceeding but declined to hold that any particular evidence is *per se* sufficient to show public availability.<sup>12</sup> While the POP did not provide explicit direction on how or when the standards are met, the POP did provide guidance regarding the evidentiary standard at the institution phase of an IPR proceeding.<sup>13</sup>

In the *Hulu* proceeding, specifically, the POP determined that the following evidence presented by the Petitioner regarding Dougherty was sufficient for instituting an *inter partes* review: (i) a copyright date of 1990, a printing date of November 1992, (ii) an ISBN date of 8/94, (iii) evidence that the book was a textbook from an established publisher and a well-known book series, and (iv) that a cover of an issue of Publisher's Weekly magazine stating that "The Internet Was Built With O'Reilly Books."<sup>14</sup>

## Hulu's Guidance with Respect to Existing Printed Publication Decisions

**The POP also tacitly endorsed three PTAB decisions where the Petitioner satisfied its initial burden at institution to show that a non-patent reference was a printed publication that was publicly accessible, including:**

1. *Sandoz Inc. v. Abbvie Biotechnology Ltd.*, IPR2018-00156 – The Board determined that a package insert for a drug, supported with a screenshot of an FDA webpage from the Wayback Machine, a declaration from the office manager of the Internet Archive including the site's archival records, and expert testimony asserting its public accessibility was sufficient evidence for instituting an *inter partes* review.<sup>15</sup>
2. *Seabery N. Am. Inc. v. Lincoln Global, Inc.*, IPR2016-00840 – The Board determined that a thesis, supported with a declaration from the author's thesis advisor discussing the university's thesis publication practices and with evidence of indexing on a national library system website, was sufficient evidence of public accessibility to institute an *inter partes* review.<sup>16</sup>
3. *Syncro Soft SRL v. Altova GmbH*, IPR2018-00660 – the Board determined that a user manual, supported



with a copyright notice, metadata information from the reference on the company's website, the release date of the printed version, a declaration from the office manager of the Internet Archive, and a declaration from an expert stating that she located and obtained a copy of the reference before the patent's filing date, was sufficient evidence of public accessibility to institute an *inter partes* review.<sup>17</sup>

Moreover, the POP tacitly endorsed two decisions that found Petitioner's evidence that a reference was a printed publication that was public availability insufficient for purposes of institution:

1. *Argentum Pharm. LLC v. Research Corp. Tech., Inc.*, IPR2016-00204 – the Board determined that a dissertation, supported with a Joint Statement of Uncontested Facts from a related district court litigation identifying the dissertation as prior art for the purposes of that litigation, and evidence that a student's dissertation advisor cited similar dissertations was insufficient to show public accessibility for purposes of institution.<sup>18</sup>
2. *In-Depth Geophysical, Inc. v. Conocophillips Co.*, IPR2019-00849 – the Board concluded that a conference paper, bearing a copyright date of 2012 and including a date of September 2012 on its cover, was insufficient to show that the paper had been disseminated prior to a November 2012 conference.<sup>19</sup>

## Hulu Provides Helpful Guidance to Petitioners and Patent Owners

In view of the POP's decision in *Hulu, LLC, v. Sound View Innovation*, petitioners and patent owners should consider the following evidence when evaluating whether a reference qualifies as a printed publication that was public availability:

- Textbooks: (i) the textbook's copyright date and printing date; (ii) the textbook's ISBN date; (iii) evidence that the textbook was from an established publisher and/or a well-known book series; and (iv) any other evidence showing public

availability, including a magazine article or a supporting declaration.<sup>20</sup>

- Webpages or Electronic Documents: (i) a screenshot of the webpage from the Wayback Machine<sup>21</sup>; (ii) a declaration from the office manager of the Internet Archive including the site's archival records; and (iii) expert testimony asserting its public accessibility.<sup>22</sup>
- Theses and Dissertations: (i) a declaration discussing the university's publication practices and (ii) evidence of indexing on a national library system website.<sup>23</sup>

Note: a dissertation, supported with (i) a Joint Statement of Uncontested Facts from a related district court litigation identifying the dissertation as prior art for the purposes of that litigation and (ii) evidence that a student's dissertation advisor cited similar dissertations has been found to be insufficient to make a threshold showing of public availability.<sup>24</sup>

- User Manuals: (i) a user manual's copyright notice, metadata information from the user manual on the company's website, and the release date of the printed version; (ii) a declaration from the office manager of the Internet Archive; and (iii) a declaration from an expert stating that she located and obtained a copy of the reference before the patent's filing date.<sup>25</sup>
- Conference Papers: (i) a conference paper's copyright date; and (ii) additional explanation or persuasive corroborating evidence explaining how, or why, the date qualifies the conference paper as a publicly accessible printed publication is required.<sup>26</sup>

Note: absent additional explanation or corroborating evidence, a copyright date appearing on a conference paper has been found to be insufficient to show that a paper was disseminated prior to a conference.<sup>27</sup>

<sup>1</sup> *Hulu, LLC, v. Sound View Innovations, LLC*, IPR2018-01039, Paper 29, (PTAB December 3, 2018).

<sup>2</sup> *Id.* at 21, *emphasis added*.

<sup>3</sup> *Id.*, *emphasis added*.

<sup>4</sup> PTAB Standard Operating Procedure (SOP) 2 (Revision 10), 3.

<sup>5</sup> *Hulu, LLC, v. Sound View Innovations, LLC*, IPR2018-01039, Paper 12, (PTAB December 3, 2018).

<sup>6</sup> *Id.* at 9.

<sup>7</sup> *Id.* at 9-10.

<sup>8</sup> *Id.* at 12.

<sup>9</sup> *Hulu, LLC, v. Sound View Innovations, LLC*, IPR2018-01039, Paper 29 at 2 (PTAB December 20, 2019).

<sup>10</sup> *Id.* at 21, *emphasis added*.

<sup>11</sup> *Id.*, *emphasis added*.

<sup>12</sup> *See id.* at 19, 21.

<sup>13</sup> *See id.* at 17-18.

<sup>14</sup> *See id.* at 19-20.

<sup>15</sup> *See Hulu, Paper 29 at 18 (citing Sandoz Inc. v. Abbvie Biotechnology Ltd., IPR2018-00156, Paper 11 at 8-13 (PTAB June 5, 2018).)*

<sup>16</sup> *See id.* at 18 (citing *Seabery N. Am. Inc. v. Lincoln Global, Inc.*, IPR2016-00840, Paper 11 at 7-8 (PTAB Oct. 6, 2016).)

<sup>17</sup> *See id.* at 18-19 (citing *Syncro Soft SRL v. Altova GmbH*, IPR2018-00660, Paper 6 at 8-10 (PTAB Sept. 5, 2018).)

<sup>18</sup> *See id.* at 19 (citing *Argentum Pharm. LLC v. Research Corp. Tech., Inc.*, IPR2016-00204, Paper 19 at 8-12 (PTAB May 23, 2016).)

<sup>19</sup> *See id.* at 19 (citing *In-Depth Geophysical, Inc. v. Conocophillips Co.*, IPR2019-00849, Paper 14 at 4-13 (PTAB Sept. 6, 2019).)

<sup>20</sup> *See id.* at 19-20.

<sup>21</sup> Internet Archive – Wayback Machine (<https://archive.org/web/>).

<sup>22</sup> *See Hulu, Paper 29 at 18 (citing Sandoz at 8-13).*

<sup>23</sup> *See id.* at 18 (citing *Seabery N. Am.* at 7-8).

<sup>24</sup> *See id.* at 19 (citing *Argentum Pharm.* at 8-12).

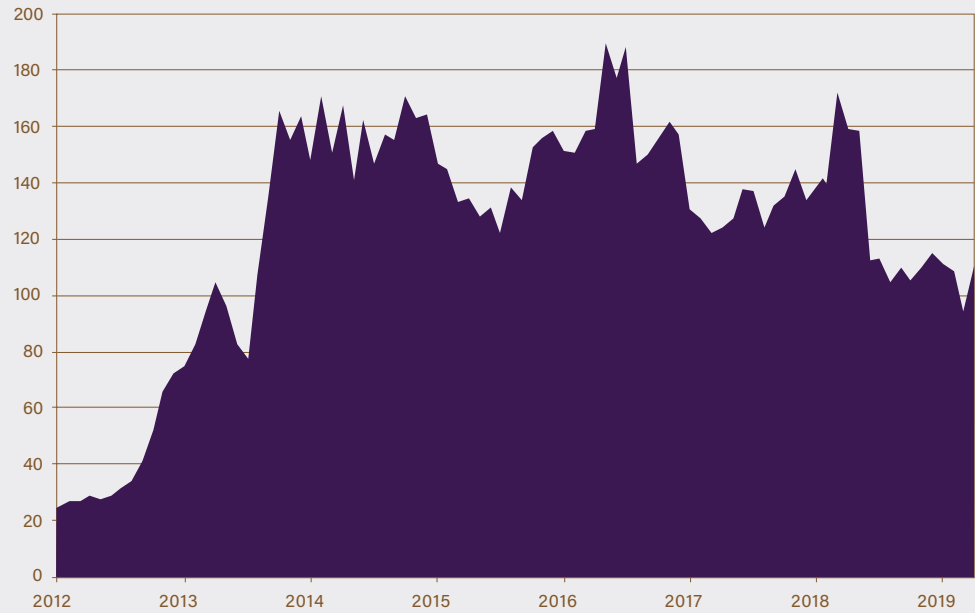
<sup>25</sup> *See id.* at 18-19 (citing *Syncro Soft* at 8-10).

<sup>26</sup> *See id.* at 19 (citing *In-Depth Geophysical* at 4-13).

<sup>27</sup> *See In-Depth Geophysical* at 9-13.

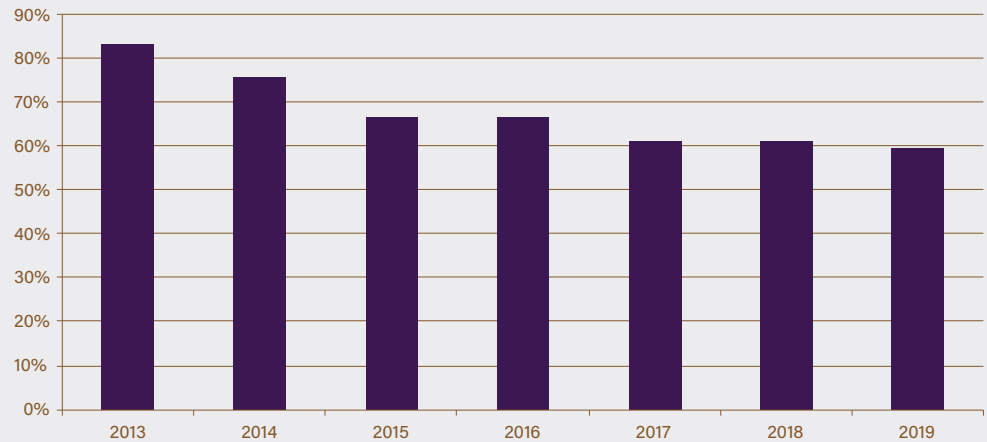
## Petitions Filed: 3-Month Rolling Average

An average of 1750 petitions were filed each year in the five year period from 2014-18, but only 1319 petitions were filed in 2019.

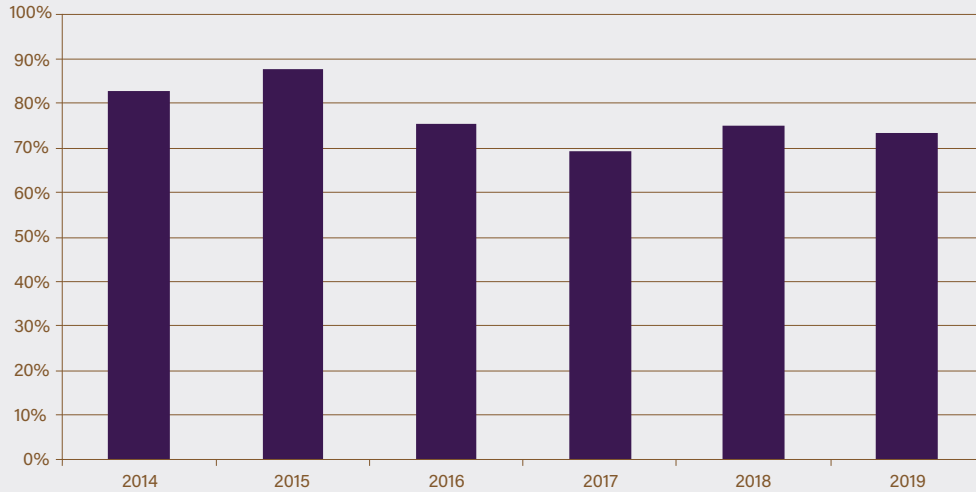


## Proceeding Institution Rate

The proceeding institution rate has hovered around 60% in each of the last three years. Historically, IPRs have been instituted slightly more frequently than PGRs and CBMs.

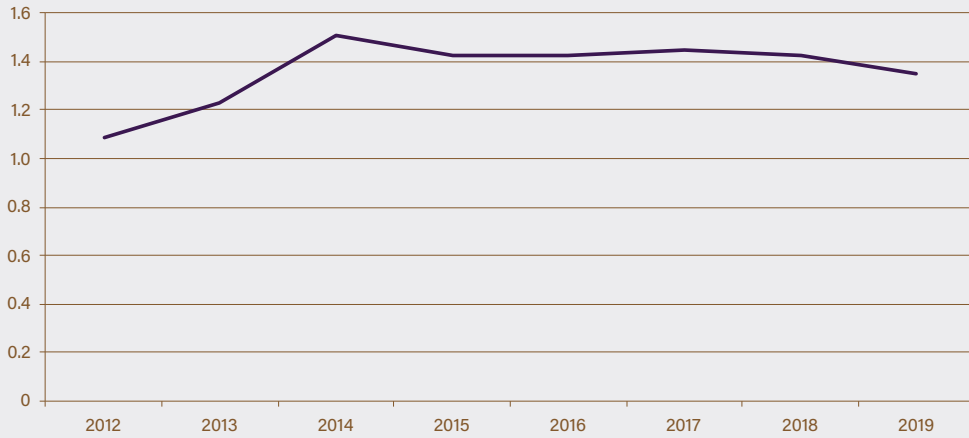


## FWD Instituted Claim Cancellation Rate



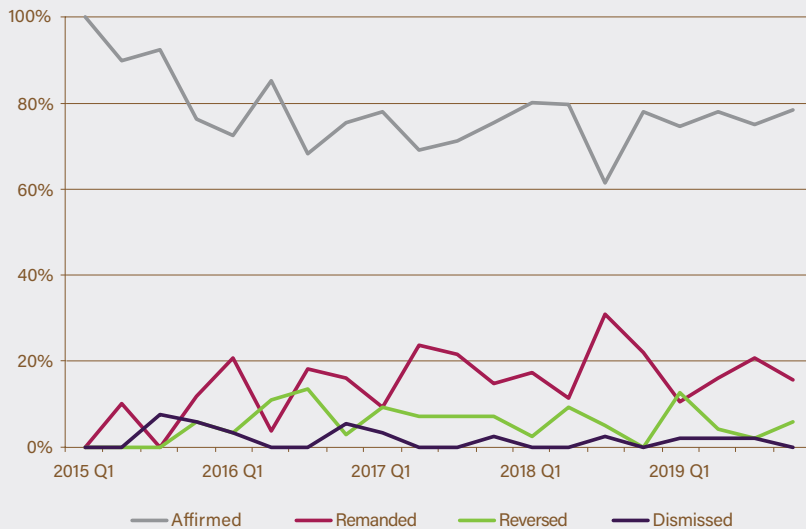
In its six years of issuing final written decisions, the Board has cancelled about 76% of the claims that it has ruled on at the conclusion of trial.

## Annual Petition to Challenged Patent Ratio



The USPTO made efforts to curb serial filings against a patent by a single petitioner last year. This may have resulted in 2019's slight downtick in petition to challenged patent ratio.

## PTAB Trial Appeal Outcomes



About 75% of appeals from PTAB trials to the Federal Circuit that receive decisions are affirmed. Petitioner-appellants fare better than patent owner-appellants at the CAFC.

# Consistency at the PTAB

AUTHORS: DAVID W. HAARS & DANIEL S. BLOCK

## Summary

The Patent Trial and Appeal Board (PTAB) implemented a number of measures designed to increase the consistency and predictability of panel decisions in the second half of 2018. These measures included the establishment of the PTAB Precedential Opinion Panel (POP) and the first update to the PTAB Trial Practice Guide (TPG) since its creation in 2012. 2019 was the first full year with these new measures in place. The United States Patent and Trademark Office (USPTO) implemented these measures primarily to increase predictability at the PTAB. But did they actually increase predictability? Based on an analysis of PTAB decisions, we conclude that the PTAB is becoming more consistent and paying close attention to precedential PTAB decisions and TPG updates.

## Laying the Consistency and Predictability Groundwork

In September 2018, the USPTO created the POP, which began rendering opinions in 2019. One of the POP's purposes is to "establish binding agency authority concerning major policy or procedural issues, or other issues of exceptional importance."<sup>1</sup> The PTAB has also stated that the POP is intended to "resolve conflicts

between Board decisions, to promote certainty and consistency, or to rehear any case it determines warrants the Panel's attention."<sup>2</sup> In addition to decisions rendered and designated as precedential by the POP, the PTAB also can receive nominations for "a routine decision of the Board for designation as precedential."<sup>3</sup> These nominations are initially screened by a "screening panel," which includes the POP members and other Administrative Patent Judges (APJs), and then if chosen for consideration by the panel, forwarded to a five member "Executive Judges Committee," which makes the final determination as to whether the decision should be recommended to the Director for precedential designation.<sup>4</sup>

The PTAB designated 19 decisions as precedential in 2019, with three through POP decisions and 16 through designations of existing opinions.<sup>5</sup> The PTAB also designated five decisions as informative in 2019.<sup>6</sup> As highlighted in the table below, prior to 2019, the PTAB had designated only a total of 10 decisions as precedential, and 31 as informative.<sup>7</sup>

## 2012-2019: PTAB Designated Decisions

Precedential decisions establish binding authority.<sup>8</sup> Informative decisions, while not binding, provide norms

**Table 1: 2012-2019: PTAB Precedential Decisions (Including POP Decisions)<sup>11</sup>**

	2012	2013	2014	2015	2016	2017	2018	2019	Total
Bar due to patent owner's action § 315(b)					2			4	6
Institution						1		3	4
Real parties in interest					1			1	2
Motions to amend								2	2
Oral Argument								2	2
Bar due to petitioner's action			1					1	2
Discovery					2				2
Printed publication								1	1
Request for rehearing								1	1
Deposition testimony								1	1
Preliminary response to petition								1	1
Covered business method review eligibility						1			1
Multiple proceedings								1	1
Assignor estoppel						1			1
Estoppel					1				1
Joinder								1	1
<b>Total</b>			<b>1</b>		<b>6</b>	<b>3</b>		<b>19</b>	<b>29</b>

and guidance for APJs.<sup>9</sup> As shown in Table 1 below, the topics covered by designated decisions cover a wide range of topics. More specifically, of the 19 newly created precedential decisions, four deal with time bars under 35 U.S.C. § 315(b), three deal with institution under 35 U.S.C. § 314(a), two deal with motions to amend under 35 U.S.C. § 316(d), and two deal with oral arguments under 37 C.F.R. §§ 42.5 or 42.70.<sup>10</sup> Has this emphasis on precedential decisions resulted in more consistent Board decisions? The initial results are encouraging.

### Did it Matter?

Based on our data analysis, the PTAB has been much more likely to cite to precedential and informative decisions since the POP's establishment. The PTAB cited to precedential decisions in 25% of institution and final written decisions since the POP's establishment—up from just 4% pre-POP. Similarly, the PTAB cited to informative decisions in 21% of institution and final written decisions since the POP's establishment—up from just 5% pre-POP. These results are noteworthy and startling. Moreover, this suggests, at the very least, that panels are increasingly considering PTAB precedent when deciding cases. The tables below show a more detailed breakdown of the data.

**Table 2: PTAB Citations to Precedential Decisions Before and After POP**

	Pre-POP	Post-POP
PTAB Citations <sup>12</sup> of Precedential Decisions in IDs/FWDs	392	608
Total IDs/FWDs	9313	2426
% of Decisions Citing Precedential Decisions	4%	25%

**Table 3: PTAB Citations to Informative Decisions Before and After POP**

	Pre-POP	Post-POP
PTAB Citations <sup>13</sup> of Informative Decisions in IDs/FWDs	479	519
Total IDs/FWDs	9313	2426
% of Decisions Citing Informative Decisions	5%	21%

As shown in Table 2 above, in the five and a half years prior to the POP (from January 2013 to August 2018), only 392 out of 9,313 institution and final written decisions cited to precedential PTAB cases. But post-POP (from September 2018 to December 2019), 608 out of 2,426 institution and final written decisions have cited to precedential PTAB decisions. An obvious explanation for

the increase in citations to precedential and informative decisions is that, as explained above, there are substantially more of them now. But regardless of the reason, any increase in citations to precedent indicates that PTAB panels are likely becoming more consistent. And likewise, this also indicates that practitioners are becoming better informed on these critical issues.

Moreover, a large discrepancy exists in citation rates pre- and post-POP. While there were roughly three-times as many precedential decisions at the end of 2019 compared to prior to the POP's establishment in September 2018, significantly, the post-POP citation rate is roughly six times the pre-POP rate. This clearly indicates that the PTAB is citing more frequently to precedential cases in 2019. One caveat is that the above tables include citations to decisions both before and after their designations. But a closer look at the data reveals that the PTAB is generally more likely to cite precedential and informative decisions after their designation. We examined the ten most-cited precedential PTAB decisions, and the results below in Table 4 show a general increase in citations to these decisions after their designations. Particularly for cases dealing with discretionary matters under § 314(a) and § 325(d). Indeed each of the three most frequently cited cases deal with one or both of these issues.<sup>14</sup>

Turning now to the Trial Practice Guide (TPG), the PTAB has also recently sought to promote panel consistency through the TPG's August 2018 and July 2019 updates.<sup>15</sup> The August 2018 Update states that the TPG is intended to (1) "apprise the public of standard practices before the Board;" and (2) "encourage consistency of procedures among panels of the Board."<sup>16</sup> But did the updated TPG actually increase consistency at the PTAB? We also reviewed data as to how the PTAB utilizes the updated TPG in its decisions. At first blush, the results were unremarkable. But a deeper analysis, as we show below, reveals a more complex picture.

At a high-level, the data shows that the PTAB cited to the TPG slightly more often before the August 2018 Update (27%) than after the 2018 Update (23%), which tends to suggest the PTAB may not be making much more use of the 2018 and 2019 updates as compared to the previous TPG. But upon closer examination, the data reveals that these results are skewed by an initially high TPG citation rate that dropped off dramatically after the PTAB's first 18 months. In fact, the PTAB cited to the TPG in 79% of institution decisions in its first 18 months, but cited it in just 7% of institution decisions in the 18 months prior to the August 2018 Update. Thus, the 23% TPG citation rate since the August 2018 Update represents a significantly increased rate compared to the prior 18 months before the 2018 Update. And the citation rate has increased even more since the July 2019 Update. The PTAB has cited to the TPG in 32% of institution decisions since July 2019, compared to 19% between August 2018 and July 2019. This shows that the Board is increasingly relying on the TPG again, and appears poised to continue to do so.

**Table 4: PTAB Citations to Precedential Decisions Before and After Designation**

Case	Citations	Designation Date	Citations Before	Citations/Month Before Designation	Citations After	Citations/Month After Designation
IPR2016-01357	383	10/18/2017	16	11.6	367	13.7
IPR2017-01586	276	8/2/2019	193	9.9	83	15.5
IPR2018-00752	136	5/7/2019	34	4.4	102	12.4
IPR2012-00001	123	5/10/2016	44	1.3	79	1.8
IPR2015-00739	89	5/10/2016	5	2.3	84	1.9
IPR2018-01129	54	3/7/2019	4	12.2	50	4.9
IPR2019-00062	48	5/7/2019	6	5.2	42	5.1
IPR2013-00312	41	5/10/2016	9	0.3	32	0.7
CBM2016-00091	38	12/21/2017	23	8.3	15	0.6
IPR2013-00290	30	8/2/2017	17	0.4	13	0.4

**Table 5: PTAB Citations to TPG Before and After the August 2018 Update**

	Pre-August 2018 Update	First 18 months of Inst. Dec. (Mar 13 - Aug 14)	18 months prior to TPG Update	Post-August 2018 Update	August 2018 - July 2019	July 2019 - Present
Institution Decisions Citing TPG	1892	742	171	439	235	204
Total Institution Decisions	6897	943	2324	1889	1256	633
% of Decisions Citing TPG	27%	79%	7%	23%	19%	32%

We recognize that reviewing citations is not a perfect method of measuring PTAB consistency. There are certainly other explanations for why the PTAB has increased citations to precedential PTAB cases or the TPG in some instances. However, given the magnitude in the increase of decisions that are now relying on

citations to precedential decisions, hard evidence exists that the PTAB is becoming more consistent. Regardless, it is clear that the PTAB is paying close attention to precedential designations and TPG updates, and is increasingly using this new guidance to adjudicate difficult disputes in a more consistent manner.

<sup>1</sup> PTAB Standard Operating Procedure (SOP) 2 (Revision 10), p. 3. <https://www.uspto.gov/sites/default/files/documents/SOP2%20R10%20FINAL.pdf>

<sup>2</sup> *Id.* at 3-4.

<sup>3</sup> *Id.* at 9.

<sup>4</sup> *Id.* at 9-10.

<sup>5</sup> "Precedential and Informative Decisions." USPTO <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/precedential-informative-decisions> (setting forth a list of precedential and informative decisions).

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

<sup>8</sup> PTAB SOP2, pp. 2-3, 11.

<sup>9</sup> *Id.* at 2, 9.

<sup>10</sup> "Precedential and Informative Decisions." USPTO.

<sup>11</sup> *Id.*

<sup>12</sup> We ran a text search in Docket Navigator for precedential case numbers in all Institution and Final Written Decisions by the Board.

<sup>13</sup> We ran a text search in Docket Navigator for informative case numbers in all Institution and Final Written Decisions by The Board.

<sup>14</sup> (1) *General Plastic Industrial Co., Ltd. v. Canon Kabushiki Kaisha*, IPR2016-01357, Paper 19 (Sept 6, 2017); (2) *Becton, Dickinson & Co. v. B. Braun Melsungen AG*, IPR2017-01586, Paper 8 (Dec. 15, 2017); and (3) *NHK Spring Co., Ltd. v. Intri-Plex Techs., Inc.*, IPR2018-00752, Paper 8 (Sept. 12, 2018).

<sup>15</sup> PTAB Consolidated Trial Practice Guide, <https://www.uspto.gov/sites/default/files/documents/tpgnov.pdf?MURL>, November 2019.

<sup>16</sup> PTAB Trial Practice Guide, [https://www.uspto.gov/sites/default/files/documents/2018\\_Revised\\_Trial\\_Practice\\_Guide.pdf](https://www.uspto.gov/sites/default/files/documents/2018_Revised_Trial_Practice_Guide.pdf), August 2018 Update, p. 2.

# Design Patents Show Resistance from Attack in Post-Grant Proceedings

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## Summary

While petitioners are successful at least 60% of the time in getting the PTAB to institute trial on patents in the biotech, chemical, electrical/computer, mechanical, and business method arts, that is not the case for design patents. Since September 2016, the PTAB's institution rate for petitions filed against design patents has remained well below 50%. To date, the institution rate is only 41%. This is based on a total of 46 institution decisions (19 grants and 27 denials).

Why are design patents escaping post-grant challenges by a significantly wider margin than their utility counterparts? The design patent institution rate reflects the fact that petitioners are failing roughly 60% of the time when they challenge design patents based on prior art. As discussed below, the legal standards governing anticipation and obviousness in the case of design patents are nuanced and the rights themselves are proving resistant to prior art challenges.

From an enforcement perspective, this is good news. Design patents are becoming an increasingly popular way to protect the ornamental appearance of products, from graphical user interfaces to automotive parts, and to stave off would-be competitors and those who are

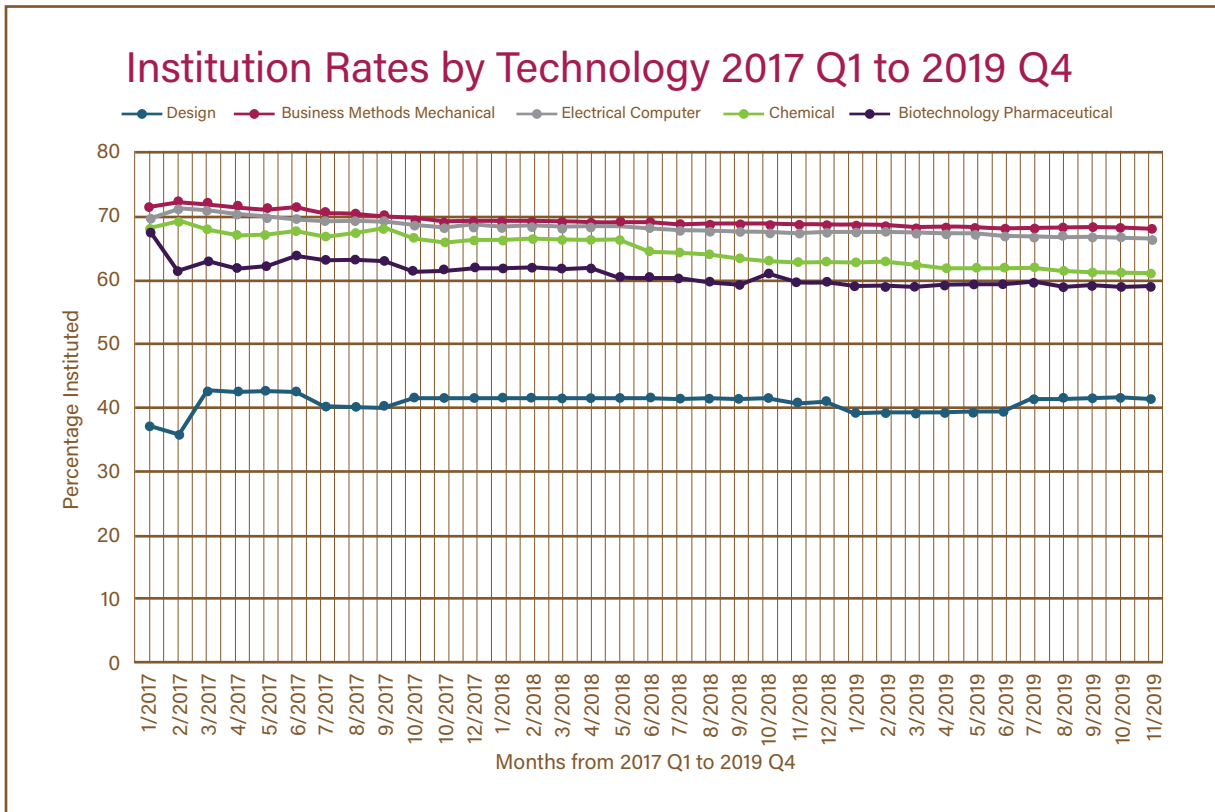
likely to copy or knock-off. The opportunity to recover the infringer's profits also makes design patents a uniquely potent threat. Combined with their apparent resistance to challenges before the PTAB, as discussed in detail below, design patents represent a powerful tool in an enforcement arsenal.

Why does securing denial of institution at the PTAB matter for purposes of enforcement? A defendant's failed attempt to institute post-grant proceedings lifts the specter of a stay pending review by the PTAB and often chills confidence in a defendant's invalidity contentions. Securing denial of institution could also weigh in favor of granting a preliminary injunction. And it goes without saying that scoring an early victory before the PTAB can help promote settlement.

Here we summarize the state of play for challenges to design patents at the PTAB as of 2019 and provide some analysis regarding why design patents are showing resistance to attack.

## Design patents are the only technology area with an institution rate below 50%

As shown in the graph below,<sup>1</sup> design patents have maintained an institution rate well below 50%, which stands in stark contrast to all the other technology areas. A



more granular analysis of the PTAB's institution decision-making for design patents reveals that this is because petitioners have failed to make a sufficient case with respect to anticipation 50% of the time and have failed to make a sufficient case with respect to obviousness 60% of the time. Grounds based on obviousness are more common than grounds based on anticipation. Grounds based on anticipation have been asserted in 22 petitions, grounds based on obviousness in 43.

These numbers are no longer anecdotal, they reveal a meaningful and sustained trend: that design patents are difficult to invalidate before the PTAB. The trend is even more significant if you take into account that the standard for institution is easier to satisfy than the burden of proof after a trial. To obtain institution, the petitioner need only demonstrate "a reasonable likelihood" of prevailing. 35 U.S.C. § 314(a). Thus, the PTAB is finding that the clear majority of petitioners are not demonstrating even a reasonable likelihood of proving unpatentability.

### **One reason is that the standards for design patents are specialized and nuanced**

The validity challenges described above are associated with standards that are unique to design patent law. The standard for anticipation of a design patent is referred to as the "ordinary observer" test, which provides that a design claim is unpatentable if "in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, if the resemblance is such as to deceive such observer, inducing him to purchase one supposing it to be the other."<sup>2</sup> Petitioners have struggled to meet this standard because the PTAB often finds that differences between the prior art and the claim are noticeable, not trivial.<sup>3</sup>

The standard for obviousness of a design patent is "whether the claimed design would have been obvious to a designer of ordinary skill who designs articles of the type involved."<sup>4</sup> This analysis involves an inquiry with two steps: (1) "one must find a single reference . . . the design characteristics of which are basically the same as the claimed design," often referred to as a Rosen reference after a seminal case by that name, and (2) "[o]nce this primary reference is found, other references may be used

to modify it to create a design that has the same overall visual appearance as the claimed design."<sup>5</sup> It has been very common for petitioners to fail at the first step.<sup>6</sup> This trend continued in 2019, with two out of the three petitions filed against design patents being denied because the petitioner failed to put forth an adequate Rosen reference, i.e., a primary reference that creates basically the same visual impression as the claimed design.<sup>7</sup>

Specifically, in *Levitation Arts, Inc. v. Flyte LLC*, PGR2018-00073, a post-grant proceeding involving a design claim for a levitating light bulb and base, the PTAB held: "[W]e are not persuaded that Petitioner shows sufficiently that [the asserted primary reference] is a proper Rosen reference. Petitioner presents a side-by-side comparison that reveals significant differences between [the primary reference's] design and the claimed design." Similarly, in *Man Wah Holdings Limited v. Raffel Systems, LLC*, IPR2019-00530, an IPR involving a design claim for a cup holder, the PTAB held: "Given that several elements and features that Petitioner acknowledges are part of the claimed design are altogether missing ... we find unpersuasive Petitioner's contention that the differences between the designs are merely *de minimus*."

### **Another reason is that design patents appear to withstand prior art challenges well**

While understanding the nuances of these specialized standards is one aspect of the difficulty petitioners seem to be encountering, that is not the whole story. The ability of design patents to withstand post-grant scrutiny is perhaps more accurately a reflection of the quality of original examination. In general, the PTAB seems to institute based on the strength of the art, rather than on how skillfully petitioners plead their legal arguments. If that is true for the most part, then the better explanation for the exceptional resistance of design patents to attack appears to be that the design claim is patentable and that the Patent Office has done its job thoroughly.

In sum, a significant and sustained trend has emerged that design patents are more likely to survive challenges at the PTAB at the institution stage. Not only does this trend have strategic implications for patentees, but it reflects positively on the quality of original examination.

<sup>1</sup> Source: Sterne Kessler compilation of official statistics of the U.S. Patent & Trademark Office relating to the Patent Trial and Appeal Board from January 2017 to November 2019.

<sup>2</sup> *Int'l Seaway Trading Corp. v. Walgreens Corp.*, 589 F.3d 1233, 1240 (Fed. Cir. 2009) (quoting *Gorham Mfg. Co. v. White*, 14 Wall. 511, 81 U.S. 511 (1871)).

<sup>3</sup> See, e.g., *MacSports, Inc. et al v. Idea Nuova, Inc.*, IPR2018-01006, Paper 6 (P.T.A.B. Nov. 13, 2018); *Campbell Soup Company v. Gamon Plus, Inc.*, IPR2017-00091, Paper 12 (P.T.A.B. Mar. 30, 2017); *Graco Children's Products Inc. v. Kolcraft Enterprises, Inc.*, IPR2016-00810, Paper 8 (P.T.A.B. Sept. 28, 2016); *Aristocrat Technologies, Inc. v. IGT*, IPR2016-00767, Paper 8 (P.T.A.B. Sept. 14, 2016); *Medtronic, Inc. v. Nuvasive, Inc.*, IPR2014-00071, Paper 7 (P.T.A.B. Mar. 21, 2014); *ATAS International, Inc. v. Centria*, IPR2013-00259, Paper 11 (P.T.A.B. Sept. 24, 2013).

<sup>4</sup> *Apple, Inc. v. Samsung Elec. Co.*, 678 F.3d 1314, 1329 (Fed. Cir. 2012) (quoting *Durling v. Spectrum Furniture Co.*, 101 F.3d 100, 103 (Fed. Cir. 1996) (citing *In re Rosen*, 673 F.2d 388, 391 (C.C.P.A. 1982))).

<sup>5</sup> *High Point Design, LLC v. Buyers Direct, Inc.*, 730 F.3d 1301, 1311 (Fed. Cir. 2013).

<sup>6</sup> See, e.g., *Top of Form MacSports, Inc. et al v. Idea Nuova, Inc.*, IPR2018-01006, Paper 6 (P.T.A.B. Nov. 13, 2018); *Skechers U.S.A., Inc. v. Nike, Inc.*, IPR2016-01043, Paper 8 (P.T.A.B. Nov. 16, 2016); *Aristocrat Technologies, Inc. v. IGT*, IPR2016-00767, Paper 8 (P.T.A.B. Sept. 14, 2016); *Premier Gem Corp. et al. v. Wing Yee Gems et al.*, IPR2016-00434, Paper 9 (P.T.A.B. July 5, 2016); *Vitro Packaging, LLC v. SaverGlass, Inc.*, IPR2015-00947, Paper 13 (P.T.A.B. Sept. 29, 2015); *Dorman Products, Inc. v. Paccar, Inc.*, IPR2014-00542, -00555, Paper 10 (P.T.A.B. Sept. 5, 2014); *Medtronic, Inc. v. Nuvasive, Inc.*, IPR2014-00071, Paper 7 (P.T.A.B. Mar. 21, 2014); *ATAS International, Inc. v. Centria*, IPR2013-00259, Paper 11 (P.T.A.B. Sept. 24, 2013).

<sup>7</sup> *Man Wah Holdings Limited v. Raffel Systems, LLC*, IPR2019-00530, Paper 7 at 15, 18 (P.T.A.B. July 26, 2019) (involving a design claim for a cup holder); *Levitation Arts, Inc. v. Flyte LLC*, PGR2018-00073, Paper 14 at 21 (P.T.A.B. Jan. 17, 2019) (involving a design claim for a design claim for a levitating light bulb and base).



# Success of Motions to Stay Rising, But Why?

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## Summary

Defendants sued for patent infringement in district court commonly seek litigation stays based on an American Invents Act (AIA)-contested proceeding that assesses the validity of the patents-in-suit before the Patent Trial and Appeal Board (PTAB).<sup>1</sup> In doing so, defendants seek to avoid or reduce the high cost of district court litigation and increase settlement leverage. District courts make a fact-dependent analysis to determine whether to grant a stay including examining, among other factors, the likelihood that a co-pending AIA-contested proceeding will simplify the litigation. Initially, district courts were skeptical of the efficacy of AIA-contested proceedings and stay rates were relatively low despite Congressional intent to promote judicial efficiency and avoid redundant proceedings.<sup>2</sup>

However, since AIA-contested proceedings began in 2012, stay rates have generally trended upward with significant increases over the last two years (11% for all motions, 12% for contested motions). These increases appear at least in part tied to the all-or-nothing institution approach required under the SAS decision<sup>3</sup> and the PTAB's adoption of the Phillips<sup>4</sup> standard for claim construction. Indeed, in those courts handling the most patent litigation cases, stay rates are significantly higher. Notably, in the district courts of Delaware, Eastern District of Texas and Northern District of California, stay rates in 2019 were 70%, 73%, and 89%, respectively. Perhaps even more intriguing is the reliance on SAS and the claim construction change by some courts in

2019 to grant stay requests prior to institution of an AIA-contested proceeding.

## Stay Factors and Trends

In determining whether to stay a case pending an AIA-contested proceeding—*inter partes* review, post-grant review, or covered business method review—district courts generally consider three factors: (1) whether a stay will unduly prejudice or present a clear tactical disadvantage to the nonmoving party; (2) whether a stay will simplify the issues at trial; and (3) the stage of the District Court case, for example, whether discovery is complete and whether a trial date has been set.<sup>5</sup>

Since the inception of AIA-contested proceedings in 2012 through 2019, the grant rate for a district court motion to stay has slowly increased to 74% of all filed (both contested and uncontested) motions, as shown in the below table.

Contested motions for stay follow a similar trend line and have slowly increased to 53% since 2012.

The stay rates after the SAS decision are even more favorable to movants in some of the hottest patent venues. Specifically, the table below highlights that the post-SAS stay rates in some of the most active patent venues range from 62% to a high of 89% in the Northern District of California.

Intriguing is the reliance on SAS and the claim construction change by some courts in 2019 to grant stay requests prior to institution of an AIA-contested proceeding.

Outcomes	2012	2013	2014	2015	2016	2017	2018	2019
Granted	50%	68%	60%	64%	68%	63%	69%	74%
Denied	17%	14%	18%	18%	14%	17%	12%	11%
Denied without prejudice	17%	9%	14%	9%	12%	14%	11%	8%
Denied in part granted in part	17%	9%	8%	8%	5%	6%	8%	6%
<b>n</b>	<b>6</b>	<b>152</b>	<b>318</b>	<b>337</b>	<b>340</b>	<b>296</b>	<b>262</b>	<b>262</b>

District Court Motion to Stay Grant Rate Based on AIA-Contested Proceeding (All)<sup>21</sup>

Outcomes	2012	2013	2014	2015	2016	2017	2018	2019
Granted	40%	55%	46%	48%	49%	41%	51%	53%
Denied	20%	21%	25%	28%	23%	27%	19%	21%
Denied without prejudice	20%	13%	17%	14%	20%	23%	19%	16%
Denied in part granted in part	20%	12%	11%	10%	8%	9%	11%	9%
<b>n</b>	<b>5</b>	<b>102</b>	<b>227</b>	<b>218</b>	<b>202</b>	<b>170</b>	<b>148</b>	<b>129</b>

District Court Motion to Stay Grant Rate Based on AIA-Contested Proceeding (Contested Motions)<sup>22</sup>

District	Granted	Denied without prejudice	Denied	Denied in part granted in part	n
DED	73%	10%	16%	1%	77
TXED	70%	19%	8%	4%	53
CAND	89%	8%	2%	2%	53
CACD	64%	11%	11%	13%	45
CASD	64%	14%	5%	18%	22
TXND	82%	6%	12%	0%	17
WAWD	75%	0%	6%	19%	16
ILND	64%	7%	29%	0%	14
TXSD	62%	31%	8%	0%	13
NJD	83%	0%	17%	0%	12
NYSD	88%	0%	13%	0%	8
FLSD	88%	13%	0%	0%	8
<b>Total</b>	<b>74%</b>	<b>11%</b>	<b>10%</b>	<b>5%</b>	<b>338</b>

Post-SAS Motion for Stay Grant Rate by District (All)<sup>23</sup>

### What is Driving the Recent Uptick in Stay Rates

As shown in the above tables, over the last two years stay rates for all motions have increased by 11%, while contested stay rates have increased by 12%. Many factors may contribute to this increase, such as more-timely motions, overwhelmed district courts, and/or more confidence in the PTAB by courts. But likely reasons for the increase over the last two years may be due to recent changes to PTAB procedures that provide district court judges additional comfort in their decision to grant a stay pending an AIA-contested proceeding.

First, in April 2018, the Supreme Court held that an AIA petitioner is “entitled to a final written decision addressing all of the claims it has challenged.”<sup>6</sup> This overruled the prior practice of granting partial institution of IPR petitions, which allowed the PTAB to proceed with review on a subset of claims and/or invalidity grounds brought by the petitioner.

Second, in November 2018, the USPTO changed the claim construction standard applied by the PTAB in trial proceedings.<sup>7</sup> This change replaced the “broadest reasonable interpretation” (BRI) standard used in the patent examination procedure with the *Phillips* standard used by federal courts to construe patent claims. The impact of this change only began to be felt in mid-2019, as explained by the Claim Construction Change article in the SKGF 2019 PTAB Year in Review. These significant changes have influenced courts’ views as to whether a stay will simplify the issues at district court—likely leading to higher success rates for stay requests.

### The Impact of the SAS Decision

Post-SAS district court decisions suggest that courts are more likely to grant a motion to stay now that the PTAB must address and rule on every ground raised by the petitioner. In *Nichea Corp. v. Vizio, Inc.*, for example, the court noted that a stay was likely to simplify issues in the district court litigation in part because “the PTAB [is] taking the new all-or-nothing approach to institution decisions, [and] there’s no concern about the PTAB picking and choosing certain claims or certain invalidity grounds from each petition.”<sup>8</sup> Similarly, in *Zomm, LLC v. Apple Inc.*, the Court stated “given that the [PTAB] must now issue final written decisions as to every ground raised in the instituted petition under recent Supreme Court case law, there is a real possibility that the IPR process will simplify the case.”<sup>9</sup> Likewise, the Court in *SPEX Techs., Inc. v. Kingston Tech. Corp.*, found that *inter partes* review held potential to simplify the case since the PTAB would review all the claims which the petitioner challenged.<sup>10</sup> Moreover, with the PTAB addressing every claim the petitioner challenges, courts have recognized that “the PTAB will provide a more robust record that considers the scope and meaning of the claims, clarifies claim construction issues, and is preclusive on issues of patent validity.”<sup>11</sup> Subsequently, the “outcome of the PTAB’s review of the claims will be of ‘invaluable assistance’ to [courts].”<sup>12</sup>

The SAS decision has also served as the basis for some courts’ willingness to grant a stay pre-institution of the related AIA contested proceeding. For example in *Lund Motion Prods., Inc. v. T-Max Hangzhou Tech. Co.*, the court granted a stay where the defendants’ IPR petitions covered every claim of three of the four patents at issue before the district court.<sup>13</sup> The court noted that if instituted, the PTO would have to address all of the claims in those patents,

thus simplifying the issues before the district court.<sup>14</sup> In *Wi-LAN, Inc. v. LG Elecs., Inc.*, the court also granted a stay pending the PTO's institution decision.<sup>15</sup> There, the court attributed their stay decision to the recent Supreme Court SAS decision, stating "[w]hile review is not guaranteed and, therefore, the benefits of review are only speculative at this juncture, in light of the Supreme Court's mandate to review all contested claims upon grant of IPR and the complexity of this case, the [simplification of issues] factor weighs in favor of a limited stay of proceedings until the PTO issues its decisions on whether to institute IPR."<sup>16</sup>

Nonetheless, despite the SAS tailwind, some courts have been hesitant to find that changes under SAS would likely lead to a simplification of issues. Some courts still believe that that even with the PTAB's review of all challenged claims under SAS, the extent to which the PTAB would simplify issues was likely limited.<sup>17</sup> Further, in at least one case, the judge saw SAS having the opposite impact. In *Peloton Interactive, Inc. v. Flywheel Sports, Inc.*, the court denied the stay finding that any institution decision post-SAS provides "a weaker inference that the PTAB will determine that all challenged claims are unpatentable."<sup>18</sup> The court reasoned that because the PTAB can no longer partially institute IPR proceedings, the institution decisions are "less effective as a barometer for the issue

of whether the PTAB will eventually determine that the challenged claims are unpatentable."<sup>19</sup>

## The Impact of the PTAB claim construction standard change

While there are no final written decisions applying the *Phillips* standard, there is also some indication that courts are granting more motions to stay in light of the PTAB's adoption of the *Phillips* claim construction standard. Notably, petitioners and patent owners alike can no longer distinguish their arguments under the BRI standard in AIA proceedings from those made under *Phillips* in district court. More fundamentally, there will likely be more consistency across the PTAB and District Court forums, as to the meaning of claim terms.

In perhaps a harbinger of things to come, in *Russo Trading Co. v. Donnelly Distribution LLC*, the court noted that the PTAB's claim construction rulings would "inform the analysis required of the Court in [that] case, should it continue" and referenced the new claim construction standard.<sup>20</sup> Thus, similar to the effect of SAS, the PTO's adoption of the *Phillips* claim construction standard suggests to district courts that a stay is worthwhile in order to benefit from the PTAB's consideration and analysis of the asserted claims.

<sup>1</sup> On January 21, we used Docket Navigator to estimate the total number of patent cases that went to trial in 2019. The search identified 182. Of those cases, 89 or approximately 49%, involved at least one patent that had been challenged in an AIA contested proceeding.

<sup>2</sup> Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 48680 (August 14, 2012).

<sup>3</sup> *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1359, 200 L. Ed. 2d 695 (2018).

<sup>4</sup> *Phillips v. AWH Corp.*, 415 F. 3d 1303 (Fed. Cir. 2005).

<sup>5</sup> See, e.g., *Peloton Interactive, Inc. v. Flywheel Sports, Inc.*, 2019 WL 3826051 \*1 (E.D. Tex. Aug. 14, 2019); *Zomm, LLC v. Apple Inc.*, 391 F. Supp. 3d 946, 956 (N.D. Cal. 2019).

<sup>6</sup> *SAS Inst., Inc.*, 138 S. Ct. at 1359.

<sup>7</sup> 37 C.F.R. § 42.100(b); Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board, 83 Fed. Reg. 51,340 (Oct. 11, 2018).

<sup>8</sup> *Nichea Corp. v. Vizio, Inc.*, 2018 WL 2448098, at \*3 (C.D. Cal. May 21, 2018).

<sup>9</sup> *Zomm, LLC v. Apple Inc.*, 391 F. Supp. 3d 946, 957 (N.D. Cal. 2019).

<sup>10</sup> *SPEX Techs., Inc. v. Kingston Tech. Corp.*, No. 8:16-cv-1790, ECF Dkt. No. 157, at 3-4 (C.D. Cal. May 16, 2018).

<sup>11</sup> *PopSockets LLC v. Quest USA Corp.*, 2018 WL 5020172, at \*2-3 (E.D. N.Y. Sept. 12, 2018); *PopSockets LLC v. Quest USA Corp.*, 2018 WL 4660374 (E.D. N.Y. Sept. 28, 2018) (report and recommendation adopted).

<sup>12</sup> *Id.*

<sup>13</sup> *Lund Motion Prods., Inc. v. T-Max Hangzhou Tech. Co.*, 2019 WL 116784, at \*2 (C.D. Cal. Jan. 2, 2019).

<sup>14</sup> *Id.*

<sup>15</sup> *Wi-LAN, Inc. v. LG Elecs., Inc.*, 2018 WL 2392161, at \*2 (S.D. Cal. May 22, 2018).

<sup>16</sup> *Id.*

<sup>17</sup> *Semco, LLC v. Trane U.S., Inc.*, No. 2:17-cv-04077, ECF Dkt. No. 136 (W.D. Mo. Jan. 2, 2019).

<sup>18</sup> *Peloton Interactive, Inc. v. Flywheel Sports, Inc.*, 2019 WL 3826051 \*2 (E.D. Tex. Aug. 14, 2019).

<sup>19</sup> *Id.*

<sup>20</sup> *Russo Trading Co., Inc. v. Donnelly Distribution LLC*, 2019 WL 1493228, \*2 (E.D. Wis. Apr. 4, 2019).

### CHARTS

<sup>21</sup> On January 10, we used Docket Navigator to review motion to stay pending IPR, CBM, or PGR that were categorized as either contested motions, stipulated motions, or sua sponte stays. We reviewed the outcomes of motions granted, denied, granted in part, or denied without prejudice (other less common outcomes were excluded).

<sup>22</sup> This data comes from the same search as note iii above but was limited to contested motions.

<sup>23</sup> This data comes from the same search as note iii above but was limited to the district courts listed and was limited to all motions decided after April 24, 2018.

# IPR Estoppel Questions Answered and Remaining

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## Summary

When Congress created *inter partes* review (“IPR”) proceedings in the Leahy-Smith America Invents Act, it included an estoppel provision to avoid duplicative validity challenges against the same patent claims.<sup>1</sup> As set forth in 35 U.S.C. § 315(e)(2), a “petitioner in an inter partes review ... that results in a final written decision

under section 318(a) ... may not assert either in a civil action ... or in a proceeding before the International Trade Commission ... that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that [IPR].” While seemingly straight-forward, this provision has left litigants and courts grappling with how far the estoppel reaches and, in particular, what the phrase

“raised or reasonably could have been raised” means. In 2019, courts began to shed some light on the scope of this estoppel. But many questions still remain.

## Estoppel extends to printed prior art that petitioners knew about

At least one thing is clear: IPR estoppel applies to grounds based on printed prior art that the petitioner was aware of at the time of filing the IPR.<sup>2</sup> And proof of what a petitioner was aware of is more abundant than one might first assume. Invalidity contentions, administrative and court filings, admissions, and many more sources can offer support for the assertion that a petitioner was aware of certain art when it filed its petition.<sup>3</sup> This prohibition against relying on art that was known at the time of filing but not asserted in the IPR process leaves petitioners with a strong incentive to file multiple petitions canvassing at least their best known prior art.

What is less clear, however, is whether this estoppel would extend to grounds raised in a petition that was denied institution. Petitioners would argue that the estoppel should not apply to grounds asserted in a denied petition because such grounds *could not* have been raised during the IPR process as a result of denial.<sup>4</sup> In the past year, however, the PTAB has adopted a practice of requiring petitioners to justify multiple petitions and rank them. Does a petitioner’s identification of its highest ranked petition constitute a discretionary choice that undermines the “could not have raised” defense to estoppel? In the year to come, we expect to see this dynamic play out.

## Estoppel could extend to art that was “reasonably discoverable”

In 2019, courts also confronted the issue of whether estoppel applies to art that was not known at the time of filing but was “reasonably discoverable.”<sup>5</sup> Some courts have extended the estoppel to such art, invoking statements from the legislative history indicating that the estoppel was intended to reach “prior art which a skilled searcher conducting a diligent search reasonably could have been expected to discover.”<sup>6</sup> This raises a number of questions, including what constitutes a “skilled searcher” and what constitutes a “diligent search.” At least one court held that this inquiry involved questions of fact and was not amenable to summary judgment.<sup>7</sup>

Regardless, as more tribunals invoke this language from the legislative history, it is more likely to become the de facto standard for whether estoppel applies to prior art that was not known at the time of filing. Defendants preparing to file IPRs should therefore consider whether to commission a prior art search to document what was reasonably discoverable at the time.

## Estoppels are unlikely to extend to prior art products and uses

In addition to unknown art, courts also tackled the issue of whether IPR estoppel applies to prior art products and uses. As products cannot be raised as prior art in IPRs, courts have generally declined to apply estoppel to such prior art products.<sup>8</sup> If the product is embodied in a printed publication, however, a court may require that there be some material difference between an invalidity argument based on the product and one based on the publication.<sup>9</sup> Indeed, one court notably cautioned that a party “cannot ‘cloak its reliance upon [prior art] as a product ... to avoid [the] estoppel.’” (internal citations omitted)<sup>10</sup> Nevertheless, if the product in question is a “superior and separate reference,” there may nevertheless be good reasons for why estoppel should not apply in that instance.<sup>11</sup>

Overall, defendants have a qualified opportunity to raise product prior art that overlaps with estopped prior art. However, it is still important to assess manuals and other types of product documentation to evaluate whether the product art would be deemed “separate and superior.”

## The impact of SAS on the estoppel exception explained in Shaw

In the past year, courts also addressed the impact of *SAS Inst. v. Iancu* on the estoppel principle explained in the Federal Circuit’s 2016 *Shaw* decision.<sup>12</sup> Specifically, *Shaw* created an estoppel exception for grounds that were raised in the petition but denied institution in

While 2019 provided welcome insight into how the estoppel provisions of the AIA apply, there is still uncertainty about how far they may reach.

a pre-SAS partial-institution decision.<sup>13</sup> The *Shaw* decision reasoned that estoppel should not attach to such grounds because they *could not* have been raised in the instituted IPR. After SAS, however, the PTAB must institute on all grounds, if at all, such that partial-institution will no longer occur.

While the *Shaw* scenario will no longer occur, it remains unclear whether, based on the reasoning in *Shaw*, whole petitions denied as cumulative to other petitions are free of estoppel. Like the pre-SAS non-instituted grounds in a partially-instituted IPR, grounds in a denied parallel petition *could not* have been raised. As noted by one court, “a petitioner who raises grounds that are not instituted, ‘to no fault of its own,’ has not had a full hearing on the merits of its invalidity contentions.”<sup>14</sup> If this is true, a petitioner could be incentivized to immunize known prior art from estoppel by filing multiple parallel petitions, even if some petitions are likely to be denied.

In summary, while 2019 provided welcome insight into how the estoppel provisions of the AIA operate and how far they may reach, there is still some uncertainty

surrounding when they apply. Several currently pending cases are anticipated to bring more clarity on the subject in 2020.

The IPR estoppel cases to watch in 2020 include:

*Network-1 Techs., Inc. v. Hewlett-Packard Co.*, No. 18-2338 (Fed. Cir. Sept. 5, 2018) (appeal involving scope of the “reasonably could have raised” estoppel standard);

*Asetek Danmark A/S v. CoolIT Sys., Inc.*, No. 3:19-cv-00410, ECF Dkt. No. 98 (N.D. Cal. Dec. 30, 2019) (Chen, J.) (holding that estoppel extends to non-petitioned claims and grounds and declining to extend reasoning in *Shaw* to post-SAS institution scenario);

*Contour IP Holding, LLC v. GoPro, Inc.*, No. 3:17-cv-04738, ECF Dkt. No. 335 (N.D. Cal. Jan. 9, 2020) (Orrick, J.) (holding that petitioner was not estopped from asserting grounds that may be cumulative or redundant of grounds raised during the IPR, as long as it does so by relying on references or combinations of references that were unavailable for IPR).

<sup>1</sup> 35 U.S.C. § 315(e)(2).

<sup>2</sup> See, e.g., *The Cal. Inst. of Tech. v. Broadcom Ltd.*, No. 2:16-cv-03714, ECF Dkt. No. 830 (C.D. Cal. Dec. 28, 2018) (Wu, J.).

<sup>3</sup> See, e.g., *Oil-Dri Corp. of Am. v. Nestlé Purina Petcare Co.*, No. 1:15-cv-01067, ECF Dkt. No. 224 (N.D. Ill. Jan. 16, 2018) (St. Eve, J.) (defendant admitted that it had copies of the prior art when it filed its petition and was therefore estopped); *Network-1 Techs., Inc. v. Alcatel-Lucent USA, Inc.*, No. 6:11-cv-00492, ECF Dkt. No. 978 (E.D. Tex. Sept. 26, 2017) (Mitchell, J.) (defendant estopped from later asserting references that were cited in invalidity contentions).

<sup>4</sup> See *Shaw Indus. Grp., Inc. v. Automated Creel Sys., Inc.*, 817 F.3d 1293 (Fed. Cir. 2016).

<sup>5</sup> *Freal Foods, LLC v. Hamilton Beach Brands, Inc.*, No. 1:16-cv-00041, ECF Dkt. No. 239 (D. Del. Apr. 10, 2019) (Connolly, J.).

<sup>6</sup> 157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).

<sup>7</sup> *Palomar Techs., Inc. v. MRSI Systems, LLC*, No. 1:18-cv-10236, ECF Dkt. No. 393 (D. Mass. Mar. 27, 2019) (Saylor, J.).

<sup>8</sup> *Polaris Indus., Inc. v. Arctic Cat, Inc.*, No. 0:15-cv-04475, ECF Dkt. No. 488 (D. Minn. Aug. 15, 2019) (Tunheim, J.); *Oil-Dri Corp. of Am. v. Nestlé Purina Petcare Co.*, No. 1:15-cv-01067, ECF Dkt. No. 647 (N.D. Ill. Feb. 22, 2019) (Kennelly, J.).

<sup>9</sup> *The Cal. Inst. of Tech. v. Broadcom Ltd.*, No. 2:16-cv-03714, ECF Dkt. No. 936 (C.D. Cal. Mar. 11, 2019) (Wu, J.).

<sup>10</sup> *SRAM, LLC v. RFE Holding (Canada) Corp.*, No. 1:15-cv-11362, ECF Dkt. No. 102 (N.D. Ill. Jan. 25, 2019) (Lefkowitz, J.).

<sup>11</sup> *Id.*

<sup>12</sup> *Shaw Indus. Grp., Inc. v. Automated Creel Sys., Inc.*, 817 F.3d 1293 (Fed. Cir. 2016).

<sup>13</sup> *Id.* at 1300.

<sup>14</sup> *Am. Tech. Ceramics Corp. v. Presidio Components, Inc.*, No. 2:14-cv-06544, ECF Dkt. No. 142 (E.D.N.Y. Jan. 30, 2019) (Matsumoto, J.) (quoting *Milwaukee Elec. Tool, Corp. v. Snap-On Inc.*, 271 F. Supp. 3d 990, 1029 (E.D. Wisc. 2017)).

# Challenges to the Constitutionality of the Patent Trial and Appeal Board

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## Summary

Since the Patent Trial and Appeal Board's inception, it has faced questions regarding its constitutionality. This past year was no different. In 2019, aggrieved patent owners raised numerous constitutional challenges addressing loose ends following the *Oil States* decision, most of which were addressed by the Federal Circuit in *Celgene*. *Celgene* did not resolve the PTAB's constitutionality, however. The Federal Circuit held in *Arthrex* that the appointment scheme for PTAB Administrative Patent Judges (APJs) was unconstitutional and remedied the constitutional defect by allowing APJs to be removed without cause. Needless to say, *Arthrex* created significant angst and uncertainty that will continue to be addressed in 2020 and likely beyond.

## The Legacy of *Oil States*

In 2018, the Supreme Court issued its much-awaited decision in *Oil States*, which presented the question of whether *inter partes* review (IPR) violates Article III of the Constitution because it gives the PTAB—an executive-branch entity—the authority to adjudicate the patentability of issued patents.<sup>1</sup> The Court held that IPRs do not violate Article III because the re-examination of an issued patent is a matter of “public rights” that may constitutionally be adjudicated by an administrative agency. But the Court took pains to “emphasize the narrowness of [its] holding,” stating that the case did not present a challenge to the retroactive application of IPRs to pre-AIA patents or a challenge based on the Due Process Clause or the Takings Clause.<sup>2</sup> Not surprisingly, perhaps, *Oil States* prompted many aggrieved patent owners to raise just these challenges to the Federal Circuit.

After declining to address several such challenges because they had not been adequately preserved,<sup>3</sup> the Court addressed these issues in *Celgene Corp. v. Peter*.<sup>4</sup> *Celgene* argued that the retroactive application of IPRs to pre-AIA patents was an unconstitutional taking under the Fifth Amendment.<sup>5</sup> The panel disagreed, concluding that IPRs do not “differ from the pre-AIA review mechanisms [such as *ex parte* and *inter partes* reexamination] significantly enough, substantively or procedurally, to effectuate a taking.”<sup>6</sup> Those review mechanisms, the panel explained, are merely “different forms of the same thing—reexaminations.”<sup>7</sup> The Federal Circuit has applied *Celgene* to reject Fifth Amendment challenges to the IPR system in multiple cases since.<sup>8</sup> Following *Celgene*, it seems settled that there is no Fifth Amendment problem with IPRs—although one litigant

recently filed a petition for writ of certiorari, re-raising the same question to the Supreme Court.<sup>9</sup>

## And Then Came *Arthrex*

But *Celgene* did not resolve the PTAB's constitutionality once and for all. In *Arthrex v. Smith & Nephew*—perhaps the most explosive Federal Circuit decision of 2019—a unanimous panel held that the appointment scheme for PTAB Administrative Patent Judges (APJs) was unconstitutional.<sup>10</sup>

Title 35 U.S.C. § 6(a) provides for the appointment of APJs by the Secretary of Commerce, in consultation with the Director of the United States Patent and Trademark Office. *Arthrex* argued that this appointment structure was unconstitutional because APJs are “principal officers” that, under the Appointments Clause, U.S. Const., art. II, § 2, cl. 2, may be appointed only by the President with the advice and consent of the Senate. (“Inferior officers,” in contrast, may be appointed by the President alone, by the courts, or by heads of departments.)

*Arthrex* held that APJs were principal officers, analyzing three factors that the Supreme Court has deemed relevant to an officer's constitutional status: “(1) whether an appointed official has the power to review and reverse the officers' decision; (2) the level of supervision and oversight an appointed official has over the officers; and (3) the appointed official's power to remove the officers.”<sup>11</sup>

The first factor, the court held, indicated that APJs enjoy principal-officer status because the Director has no ability to “single-handedly review, nullify or reverse a final written decision issued by a panel of APJs.”<sup>12</sup> The court treated the second factor more equivocally, concluding that “[t]he Director exercises a broad policy-direction and supervisory authority over the APJs.”<sup>13</sup> Finally, regarding the third factor, the court held that APJs were subject to the removal restrictions set forth in 5 U.S.C. § 7513(a), which provides for removal of federal employees “only for such cause as will promote the efficiency of the service.”<sup>14</sup> These removal restrictions, combined with the APJs' ability to render final decisions that are not subject to the Director's review, convinced the court that APJs were improperly appointed principal officers.<sup>15</sup>

To remedy the constitutional violation, the panel severed and invalidated Title 5's removal restrictions, set forth in 35 U.S.C. § 3(c), as applied to APJs.<sup>16</sup> The result is that the Secretary can now remove APJs without cause—rendering them inferior as opposed to principal officers.<sup>17</sup>

The court then vacated and remanded the PTAB's decision. On remand, the court held, "a new panel of APJs must be designated and a new hearing granted."<sup>18</sup> The court left to the PTAB's discretion whether to allow additional briefing or reopen the record on remand.

All parties in *Arthrex* have petitioned for rehearing *en banc*. Additionally, a different panel requested supplemental briefing on various issues raised by *Arthrex*.<sup>19</sup> It appears likely that the full Federal Circuit—and possibly the Supreme Court—will eventually weigh in on, at least, the following questions:

- Whether the *Arthrex* panel correctly held that APJs are principal officers.
- Whether, assuming APJs are principal officers, *Arthrex* correctly held that APJs' removal protections are severable from the remainder of the statute.
- Whether, assuming APJs are principal officers, severing APJ's removal protections renders them inferior officers and thus remedies the constitutional violation.
- When *Arthrex*'s remedy takes effect.<sup>20</sup>
- Whether *Arthrex*'s remedy requires vacatur and remand for a new hearing.<sup>21</sup>
- Whether a litigant's failure to raise an Appointments Clause challenge in its opening brief waives that argument.<sup>22</sup>

Stay tuned for further updates in this fluid and quickly changing area of the law.

<sup>1</sup> *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365 (2018).

<sup>2</sup> *Id.* at 1379.

<sup>3</sup> See, e.g., *Trading Techs. Int'l, Inc. v. IBG LLC*, 921 F.3d 1378 (Fed. Cir. 2019).

<sup>4</sup> *Celgene Corp. v. Peter*, 931 F.3d 1342 (Fed. Cir. 2019).

<sup>5</sup> *Id.* at 1358.

<sup>6</sup> *Id.* at 1358–59.

<sup>7</sup> *Id.* at 1361.

<sup>8</sup> See, e.g., *Genentech, Inc. v. Hospira, Inc.*, 2020 WL 111268, at \*7 (Fed. Cir. 2020); *Arthrex, Inc. v. Smith & Nephew, Inc.*, 935 F.3d 1319 (Fed. Cir. 2019); *Collabo Innovations, Inc. v. Sony Corp.*, 778 F. App'x 954, 961 (Fed. Cir. 2019).

<sup>9</sup> *Collabo Innovations, Inc. v. Sony Corp.*, 778 F. App'x 954 (Fed. Cir. 2019), petition for cert. filed (U.S. Nov. 4, 2019) (No. 19-601).

<sup>10</sup> *Arthrex v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019).

<sup>11</sup> *Id.* at 1329.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.* at 1331.

<sup>14</sup> *Id.* at 1333.

<sup>15</sup> *Id.* at 1335.

<sup>16</sup> *Id.* at 1337–38.

<sup>17</sup> *Id.*

<sup>18</sup> *Id.* at 1340.

<sup>19</sup> See *Polaris Innovations Ltd. v. Kingston Technology Co.*, No. 18-1768 (Fed. Cir. Apr. 4, 2018).

<sup>20</sup> See *Bedgear v. Fredman Bros. Furniture Co. Inc.*, 783 F. App'x 1029, 1034, n.8 (Fed. Cir. 2019) (Dyk, J., concurring).

<sup>21</sup> See *id.* at 1032.

<sup>22</sup> See *Customedia v. Dish*, No. 19-1001 (Fed. Cir. Oct. 1, 2018).

# Editors & Authors of the 2019 PTAB Year in Review

## Editors

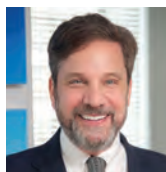
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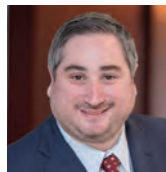


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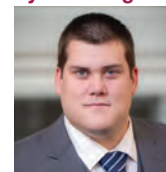
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