

PTAB Strategies and Insights

July 2021



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Dear ,

The PTAB Strategies and Insights newsletter provides timely updates and insights into how best to handle proceedings at the USPTO. It is designed to increase return on investment for all stakeholders looking at the entire patent life cycle in a global portfolio.

This month we provide:

- A brief update on *Arthrex* and the impact it has had on pending PTAB appeals in which an Appointments Clause challenge had been raised;
- We present a guide for how a petitioner or a patent owner should navigate the *Fintiv* factors, with a focus on swaying factor four with court stipulations; and
- Discuss whether the PTAB can adopt a new construction of an agreed-upon term in the final written decision.

We welcome feedback and suggestions about this newsletter to ensure we are meeting the needs and expectations of our readers. So if you have topics you wish to see explored within an issue of the newsletter, please reach out to me.

Best,

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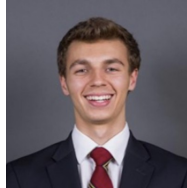
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ARTHREX: ONE MONTH LATER

By: [William H. Milliken](#)

Following the Supreme Court's decision in *United States v. Arthrex*, the Federal Circuit issued requests for briefing regarding the decision's impact in pending PTAB appeals in which an Appointments Clause challenge had been raised. Those briefs have now been filed and the parties are awaiting action from the court of appeals. Here we provide a brief overview of the types of arguments we have seen from the parties and of likely next steps.



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WHAT COURT STIPULATIONS PERSUADE THE PTAB IN PETITIONERS' AND PATENT OWNERS' FAVOR ON DISCRETIONARY DENIAL

By: Jay Bober and [Jason D. Eisenberg](#)

Petitioners and Patent Owners alike have started filing stipulations in district court and at the International Trade Commission to leverage the *Fintiv*^[1] factors in their favor on the issue of discretionary denial at the Patent Trial and Appeal Board (PTAB). In essence, the Board will decide whether a PTAB proceeding is an efficient use of Board resources or not, and thus whether denying institution is justified. We first reported on an example district court stipulation in a [previous article from January 2021](#).

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CAN THE PTAB ADOPT A NEW CONSTRUCTION OF AN AGREED-UPON TERM?

By: [Ali Allawi](#) and [Jon E. Wright](#)

In *Qualcomm Inc. v. Intel Corp.*^[i], the Federal Circuit ruled that the Patent Trial and Appeal Board violated patent owner Qualcomm's rights under the Administrative Procedures Act (APA) by not giving it notice and a chance to respond to the Board's sua sponte construction of a claim term that neither Qualcomm nor petitioner Intel had disputed. The Court vacated the invalidity decision and remanded for further proceedings.



[i] *Qualcomm Inc. v. Intel Corp.*, Appeal No. 20-1589 (Fed. Cir. July 27, 2021) (precedential).

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Following the Supreme Court's decision in *United States v. Arthrex*, the Federal Circuit issued requests for briefing regarding the decision's impact in pending PTAB appeals in which an Appointments Clause challenge had been raised. Those briefs have now been filed and the parties are awaiting action from the court of appeals. Here we provide a brief overview of the types of arguments we have seen from the parties and of likely next steps.

Responses from Patent Owner-Appellants who raised Appointments Clause challenges generally fall into two categories. The first category consists of responses that affirmatively waive the appellant's right to relief under *Arthrex* and request that the Federal Circuit decide the appeal on the merits.^[1] The second category consistent of responses that request a remand so that the patent owner can have the opportunity to request Director review.^[2] At least one appellant proposed a hybrid approach under which the Federal Circuit would address the merits of the appeal first and then—if the merits are decided adversely to the appellant—remand the case to the PTAB to allow the appellant to ask for Director review.^[3] In that case, the Federal Circuit responded with an order instructing the appellant to choose between (i) requesting a limited remand and (ii) waiving its right to seek Director review.^[4]

Additionally, several appellants have suggested that the PTO cannot lawfully implement the Supreme Court's *Arthrex* remedy given that the agency lacks a presidentially appointed and Senate-confirmed Director.^[5] According to these appellants, the constitutional problem identified by *Arthrex* was the lack of principal-officer oversight of PTAB decisions, and there is at the very least a serious question whether Drew Hirshfeld, the Commissioner for Patents, who is currently “performing the functions and duties of the Under Secretary of Commerce for Intellectual Property and Director,” is constitutionally able to perform the required layer of principal-officer review.

In cases where the appellant has affirmatively withdrawn its Appointments Clause challenge, the PTO has (unsurprisingly) agreed that the Federal Circuit should proceed to decide the merits. In cases where the appellant has requested a remand, the PTO has agreed that the appellant is entitled to that relief. But—and this is an important “but”—the PTO has argued that, “in issuing that remand, this Court should retain jurisdiction, thereby making it possible for this Court to reactivate this appeal in its current posture without the need for a new notice of appeal or otherwise duplicative proceedings.”^[6] If Director review is granted, the PTO submits, it will at that time request a full remand; if Director review is denied, the appeal can “proceed from the

point where it was before the remand.”^[7] Finally, the PTO has contended that any challenge to Hirshfeld’s ability to conduct the required layer of Director review is premature because the reviews have not begun yet.

In appeals where the Appointments Clause argument has been withdrawn, we expect that the Federal Circuit will simply allow the case to proceed and decide the merits. In appeals where the appellant has requested a remand, we expect that the Federal Circuit will grant the remand. It is not clear whether the court will also retain jurisdiction as the PTO has requested. There are potential problems with that course of action: for example, in appeals that have already been fully briefed, it might prevent the appellant from raising any challenges to the PTO’s procedures for implementing Director review (since there would be no opportunity for further briefing after the limited remand).

Orders from the Federal Circuit will likely begin issuing in the next few weeks. We will be following the progress of these cases and will provide additional updates in future additions of the newsletter.

[1] Examples include *Raytheon Technologies Corp. v. General Electric Co.*, No. 21-1166; *IPA Technologies Inc. v. Google LLC*, Nos. 21-1438, 21-1439; and *Intuitive Surgical Operations, Inc.*, No. 21-1473.

[2] Examples include *MobilePay LLC v. Unified Patents, LLC*, No. 20-2102; and *Cupp Computing AS v. Trend Micro Inc.*, Nos. 20-2262, 20-2263, 20-2264.

[3] See *Teva Pharm. Int’l GmbH v. Eli Lilly & Co.*, No. 20-1747, Dkt. 73 (July 7, 2021).

[4] See *id.*, Dkt. 76 (July 23, 2021).

[5] See, e.g., *New Vision Gaming & Development, Inc. v. SG Gaming, Inc.*, No. 20-1399, Dkt. 104 at 14–15 (July 7, 2021); *Cupp Computing*, No. 20-2262, Dkt. 36 at 9–10 (July 7, 2021).

[6] E.g., *New Vision Gaming*, No. 20-1399, Dkt. 106 at 2–3.

[7] E.g., *id.*

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Petitioners and Patent Owners alike have started filing stipulations in district court and at the International Trade Commission to leverage the *Fintiv*^[1] factors in their favor on the issue of discretionary denial at the Patent Trial and Appeal Board (PTAB). In essence, the Board will decide whether a PTAB proceeding is an efficient use of Board resources or not, and thus whether denying institution is justified. We first reported on an example district court stipulation in a [previous article from January 2021](#). For review, the *Fintiv* factors include:

1. Whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted;
2. Proximity of the court's trial date to the Board's projected statutory deadline;
3. Investment in the parallel proceeding by the court and parties;
4. Overlap between issues raised in the petition and in the parallel proceeding;
5. Whether the petitioner and the defendant in the parallel proceeding are the same party; and
6. Other circumstances that impact the Board's exercise of discretion, including the merits.^[2]

We have observed that *Fintiv* factor four carries notable weight in the PTAB's discretionary denial decisions. Factor four considers whether "the petition includes the same or substantially the same claims, grounds, arguments, and evidence as presented in the parallel proceeding."^[3] This article will present a guide for how a petitioner or a patent owner should navigate the *Fintiv* factors, with a focus on swaying factor four with court stipulations.

Petitioner's Perspective

Since 2012, patent challengers have found PTAB invalidity proceedings more favorable for killing patents than court proceedings. Under the new *Fintiv* regime, petitioners must show that the issues in the parallel court and PTAB proceedings are not aligned. Therefore, a petitioner's stipulation must demonstrate that the issues in the two proceedings will not overlap. To date, there are two main lines of cases: *Sand Revolution*-type stipulations and *Sotera*-type stipulations.

A *Sand Revolution*-type of stipulation indicates that the petitioner “will not pursue the same grounds in the district court litigation.”^[4] The PTAB held this type of stipulation to *marginally* favor institution. Notably, the PTAB commented that the petitioner should have made a stipulation to abandon grounds that were raised or that could have been reasonably raised in an IPR. If the petitioner’s stipulation broadly confronted “concerns regarding duplicative efforts,” it “might have tipped this factor more conclusively in [Petitioner’s] favor.”^[5] While the petitioner ultimately prevailed at obtaining institution, the petitioner faced higher risk by using a narrow stipulation.

A *Sotera*-type stipulation better persuades the PTAB by promising “not [to] pursue in [the District Court] the specific grounds [asserted in the *inter partes* review], or on any other ground . . . that was raised or could have been reasonably raised in an IPR.”^[6] The PTAB instituted trial in *Sotera* because the petitioner’s stipulation mitigated any concerns of duplicative efforts and conflicting decisions. In contrast with *Sand Revolution*, the PTAB concluded that “Petitioner’s broad stipulation ensures that an *inter partes* review is a ‘true alternative’ to the district court proceeding,” so the stipulation weighs “*strongly* in favor of not exercising discretion to deny institution.”^[7] As a result, a broad stipulation appears to be most effective at obtaining institution.

Practice Tip:

Petitioners should file a broad *Sotera*-like stipulation in a parallel proceeding because it will strongly influence how the PTAB evaluates the *Fintiv* factors. To prompt institution, petitioners should use language like: “Petitioner stipulates that they will not raise at the parallel proceeding any ground raised or that could have been reasonably raised in the IPR.” Petitioners should stipulate as soon as possible because timely filing will further persuade the PTAB.

Patent Owner’s Perspective

Opposite to petitioners, patent owners want to stay out of PTAB proceedings at all costs. So patent owners aggressively use any available arguments to deny institution, especially discretionary denial. With respect to stipulations, patent owners should argue that the parties are invested in the initial venue and demonstrate as much overlap between issues as possible. To gain favor with the PTAB, the patent owner can even stipulate to limit themselves in court.

SK Innovation Co., Ltd. v. LG Chem, Ltd. illustrates a successful strategy for the patent owner. In this case, the patent owner argued that there was significant overlap between the petition’s validity issues and the parallel ITC investigation. After making this argument, the patent owner also stipulated, “contingent upon the Board’s denial of institution in this proceeding under *Fintiv*,” that it would limit the district court litigation “in the following respect: any Challenged Claim presented for the district court trial will not extend beyond those addressed in the ITC’s Final Determination.”^[8] The PTAB appreciated the patent owner’s concession and held *Fintiv* factor four to weigh in favor of denying institution.

So, although most stipulation cases to date are based on petitioner court filings, *SK Innovation* demonstrates that patent owners can also benefit by filing court stipulations.

Practice Tip:

Patent owners should file a stipulation with language like “To remove any doubt and spare duplicative efforts, Patent Owner will not extend the challenged claims in the parallel proceeding beyond those already addressed.” And while there might be a viable strategy in waiting to file the stipulation so that parties appear more invested in the parallel proceeding, *SK Innovation* indicates that a speedy stipulation filing will likely earn stronger favor with the PTAB.

[1] See *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020).

[2] *Id.* at 6.

[3] *Id.* at 12.

[4] *Sand Revolution II, LLC v. Cont’l Intermodal Group-Trucking LLC*, IPR2019-01393, Paper 24 at 12 (PTAB June 16, 2020).

[5] *Id.*

[6] *Sotera Wireless, Inc. v. Masimo Corporation*, IPR2020-01019, Paper 12 at 13-14 (PTAB Dec. 1, 2020).

[7] *Id.* at 19.

[8] *SK Innovation Co., Ltd. v. LG Chem, Ltd.*, IPR2020-01239, Paper 14 at 18 (PTAB Jan. 12, 2021).

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The Court first explained that, under the APA, the agency must "timely inform" the patent owner of "the matters of fact and law asserted," 5 U.S.C. § 554(b)(3), must provide "all interested parties opportunity for the submission and consideration of facts [and] arguments . . . [and] hearing and *decision* on notice," *id.* § 554(c), and must allow "a party . . . to submit rebuttal evidence . . . as may be required for a full and true disclosure of the facts," *id.* § 556(d). If the agency fails to safeguard these requirements, then the Court explained that it must "hold unlawful and set aside agency action . . . not in accordance with law [or] . . . without observance of procedure required by law." 5 U.S.C. § 706. Here, the Board failed to comply.

In the initial proceedings, the parties had agreed that the claims require carrier signals that increase user bandwidth (the "bandwidth requirement"). However, in its decision to invalidate the patents, the Board's construction excluded the bandwidth requirement. On appeal, Qualcomm argued that it was unfair for the Board to adopt a different construction for an agreed upon claim term.

When evaluating whether the Board provided the requisite notice and opportunity to respond with respect to the bandwidth requirement, the Court considered three factors: 1) whether Qualcomm was prejudiced; 2) whether the Oral Hearing provided Qualcomm notice and opportunity to respond; and 3) whether Qualcomm's option to move for a rehearing, which they did not take, constituted an adequate opportunity to respond.

Was Qualcomm prejudiced? Yes. The Court explained that Qualcomm argued throughout the IPR proceedings that the prior art did not disclose the increased bandwidth requirement. And, by removing that requirement, sua sponte, the Board eliminated an element for which Intel bore the burden of proof, and for which Qualcomm would have had no reason to brief or establish evidentiary record supporting its position. Under those facts, Qualcomm was prejudiced.

Was the oral hearing sufficient to meet the APA requirements? No. The Court observed that during the hearing the Board did not announce a construction, criticize the parties' agreed-upon requirement, ask any follow-up questions to Intel or ask any related questions to Qualcomm, or request any additional briefing on the bandwidth requirement (as it did, sua sponte, for another term). And, a single question-answer exchange between one judge and Intel regarding the increased bandwidth requirement was insufficient. The Court also found that the hearing did not provide an adequate opportunity to respond because the Board "failed to provide any theory or rationale for its departure from the agreed-upon requirement to which Qualcomm could have responded"^[iii] during the hearing.

Is the option to seek rehearing sufficient to meet the APA requirements? No. The Court ruled that just because Qualcomm had the opportunity to seek rehearing after the final written decision, which it did not take, does not provide adequate opportunity to respond because "this would effectively require an aggrieved party to seek rehearing before appealing." No such requirement exists, and the Court declined to impose one.

The opinion should not be understood, however, to constrain the Board's ability to adopt a claim construction for which neither party has advocated. Where a term is disputed, for example, the Court reaffirmed that the Board may impose its own construction without running afoul of the APA. However, when diverging from an undisputed construction of a claim term, the APA requires the Board "to provide notice of and an adequate opportunity to respond to its construction." The Court reasoned that "it is difficult to imagine either party anticipating that this agreed-upon matter of claim construction was a moving target."

Takeaway: Where the Board departs from an agreed-upon claim construction without proper notice or an opportunity to be heard, the Board may run afoul of the APA and an aggrieved party may have good cause for appeal.

[i] *Qualcomm Inc. v. Intel Corp.*, Appeal No. 20-1589 (Fed. Cir. July 27, 2021) (precedential).
[ii] *Id.*, 12.

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