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PATENTS

While the contours of the PTAB's amendment standard are still being defined on a case-by-case basis, patent owners should consider the immediate impact of decisions holding that any art cited is now automatically implicated when a patent owner seeks to amend during a post-grant proceeding, the authors contend.

Amending Claims in Post-Grant Proceedings and Information Disclosure: The Impact of *Prolitec* and *Masterimage 3D* on Patent Prosecution Strategy



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On July 15, 2015, an expanded panel of the Patent Trial and Appeal Board issued a representative decision in *Masterimage 3D v. Reald*¹ clarifying the requirements for amendment in post-grant proceedings such as *inter partes* review. The expanded panel included newly appointed Deputy Chief Nathan Kelly as well as Vice Chief Scott Boalick. In *Masterimage 3D*, the board clarified the standard for amending claims in post-grant proceedings as first articulated in *Idle Free Systems v. Bergstrom*.²

The standard in *Idle Free* places the burden on patent owners “to show patentable distinction over the prior art of record and also prior art known to the patent owner.”³ *Masterimage 3D* changed the standard to some degree by describing the universe of art to consider. On the heels of that decision, the Patent and Trademark Office announced the release of a “promised set of additional proposed improvements” to its trial practice, including clarifications to amendment practice consistent with the guidance set forth in *Masterimage 3D*.⁴

¹ *Masterimage 3D v. Reald Inc.*, IPR2015-00040, Paper 42 (P.T.A.B. July 15, 2015).

² *Idle Free Systems, Inc. v. Bergstrom, Inc.*, IPR2012-00027, Paper 26 (P.T.A.B. June 11, 2013).

³ *Id.* at 7.

⁴ *Proposed Changes to Rules Governing PTAB Trial Proceedings*, blog by Under Secretary of Commerce for Intellec-

First, this article provides an overview of the recent *Prolitec* decision by the Federal Circuit addressing the amendment standard in post-grant proceedings as well as an influential decision by the PTAB involving the amendment standard in AIA trials. Second, the article discusses the strategic implications from the perspective of patent owners who are under a duty of disclosure during examination but may seek to amend claims during post-grant proceedings.

MasterImage 3D Defines the Universe of Prior Art That Must be Addressed.

In *Masterimage 3D*, the PTAB explained that “the prior art of record” refers to “a. any material art in the prosecution history of the patent; b. any material art of record in the current proceeding, including art asserted in grounds on which the Board did not institute review; and c. any material art of record in any other proceeding before the Office involving the patent.” The panel in *Masterimage 3D* further clarified that “prior art known to the patent owner” is “no more than the material prior art that Patent Owner makes of record in the current proceeding pursuant to its duty of candor and good faith to the Office under 37 C.F.R. § 42.11, in light of a Motion to Amend,” further noting that “when considering its duty of candor and good faith under 37 C.F.R. § 42.11 in connection with a proposed amendment, Patent Owner should place initial emphasis on each added limitation. Information about the added limitation can still be material even if it does not include all of the rest of the claim limitations.”⁵

Prolitec Upholds the Standard for Amendment Set Forth in MasterImage 3D.

On Dec. 4, 2015, the Federal Circuit issued *Prolitec v. Scentair*, a precedential opinion upholding a critical portion of the standard articulated in *Masterimage 3D*, finding it to be “not unreasonable.”⁶ Specifically, the court held that the burden placed on patent owners to distinguish “prior art of record” when seeking to amend claims in *inter partes* review “is not in conflict with any statute or regulation” and “it is not unreasonable to require the patentee to meet this burden [given that the] prior art references cited in the original patent’s prosecution history often will be the closest prior art and will already have been reviewed by the patentee.”⁷

The court also clarified that, under *Masterimage 3D*, “a patent owner does not need to show its claims are patentable over the entire universe of uncited art, but still needs to show its claims are patentable over the prior art of record—which includes art in the prosecu-

tual Property and Director of the USPTO Michelle K. Lee, available at http://www.uspto.gov/blog/director/entry/ptab_update_proposed_changes_to (Aug. 19, 2015) Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, Notice of Proposed Rule Changes, 80 Fed. Reg. 50720-50747 (Aug. 20, 2015).

⁵ *Masterimage 3D*, at 2-3.

⁶ *Prolitec, Inc. v. Scentair Techs., Inc.*, No. 2015-1020 at *7, 807 F.3d 1353 (Fed. Cir. Dec. 4, 2015) (91 PT CJ 374, 12/11/15).

⁷ *Id.*

tion history of the patent.”⁸ Based on the facts in *Prolitec*, the court concluded that the patent owner should have established that its amended claims would be patentable over prior art cited in the prosecution history in combination with a reference applied in the *inter partes* review proceeding.

The Federal Circuit’s decision in *Prolitec* leaves unresolved whether prior art identified in *Masterimage 3D* as “known to the patent owner” based on the “duty of candor and good faith to the Office under 37 C.F.R. § 42.11” is a reasonable component of the patent owner’s burden. Similarly, the court did not specifically address whether “any material art of record in any other proceeding before the Office involving the patent” is also a reasonable component of the burden. The court did not address these issues, and has generally been careful to limit its holdings to the facts on appeal.⁹

However, the court’s endorsement of *Masterimage 3D*, in at least the respects discussed in the opinion, strengthens the influence it is likely to have. Furthermore, it is clear that when seeking to amend claims in a post-grant proceeding, any art cited during prosecution must be distinguished along with any art of record in the post-grant proceeding. And while this alone may involve analysis of hundreds, if not thousands, of references in the 25 pages allowed for a motion to amend, the Federal Circuit has affirmed the reasonableness of that requirement.¹⁰

Any Prior Art Cited During Prosecution Is Now Automatically Implicated.

While the contours of the amendment standard are still being defined on a case by case basis, patent owners should consider the immediate impact of *Prolitec* and *Masterimage 3D* on original prosecution and examination proceedings, such as re-examination and reissue, where the duty of disclosure 37 C.F.R. § 1.56(a) and the information disclosure statement (IDS) filing provisions of 37 C.F.R. § 1.97 are at play. For example, under *Prolitec* and *Masterimage 3D*, any art cited in an IDS during prosecution is now automatically implicated when a patent owner seeks to amend their claims during a post-grant proceeding.

This raises a series of questions in light of recent developments in the law of inequitable conduct for failure to disclose material prior art during examination. For example, *Exergen v. Wal-Mart*¹¹ effectively heightened

⁸ *Id.* at *16.

⁹ See *Prolitec*, No. 2015-1020, at *7-8 (“[W]e expressly declined to decide in *Proxyconn* whether the PTO’s additional guidance about the patentee’s burden in *Idle Free* also constituted a permissible interpretation of the PTO’s regulations . . . We conclude that the PTO’s approach is a reasonable one at least in a case, like this one.”); *Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292, 1307, 115 U.S.P.Q.2d 1198 (Fed. Cir. 2015) (“[T]his case does not call on us to decide whether every requirement announced by the Board in *Idle Free* constitutes a permissible interpretation of the PTO’s regulations. The *Idle Free* decision is not itself before us, and we resolve this case only with respect to the Board’s [treatment of *Proxyconn*’s motion]. . . . We do not address the other requirements of *Idle Free* that the Board relied upon.”) (90 PT CJ 2392, 6/19/15).

¹⁰ 37 C.F.R. § 2.24(a)(1)(vi); 80 Fed. Reg. 28561-28566 (May 19, 2015).

¹¹ *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 91 U.S.P.Q.2d 1656 (Fed. Cir. 2009) (78 PT CJ 460, 8/14/09).

the pleading standard for making out a charge of inequitable conduct, and *Therasense v. Becton, Dickinson*¹² elevated the standard for establishing inequitable conduct.

Given that inequitable conduct is now more difficult to allege and prove in litigation, and in light of the burden on patent owners when they seek to preserve claims challenged in post-grant proceedings, practitioners should be prepared to reconsider the practices and procedures used to determine whether or not a reference is “material to patentability” and, therefore, must be submitted to the Office in an IDS. For example, the practice of filing voluminous IDSs listing hundreds of references having dubious relevance, offered only in an abundance of caution, may be among the first to be reconsidered. Put differently, the question is whether erring on the side of over-disclosing is still always the best choice. That said, the reasons for exercising caution and erring on the side of full, rather than selective, disclosure continue to be important for practitioners and patent owners to consider in light of the drastic remedy of family-wide unenforceability—as well as the reputational liabilities—associated with inequitable conduct. In any event, over-disclosure may have consequences in the post-grant context worth considering in light of these decisions.

As a practical reality, the board has only granted five motions to amend out of roughly 120, only one of which it granted in full with the rest being partial grants.¹³ Strategically speaking, where does this leave applicants—or patent owners involved in examinational proceedings before the PTO, such as re-examination or reissue? It seems that there are two fundamental ap-

proaches to consider in the pre-grant world when looking towards the post-grant future.

The first approach is to prosecute as if amendment is not an option. This may include pursuing every claim possible, assuming that claims cannot be amended in the event the patent becomes subject to a post-grant proceeding. Creating redundancy and variation in contemplation of a post-grant challenge is one way to avoid being limited to a particular claim set down the road.

The second approach is to establish stricter criteria for submitting prior art to the PTO: evaluating whether the art being submitted is really material to patentability and weeding out clearly irrelevant material. The latter approach involves risks that many will be wary of taking, even under the higher thresholds for proving inequitable conduct. That said, weighing the costs and benefits of maintaining a limited record during prosecution is one that applicants may now start evaluating in this new landscape.

Summary.

In sum, the Federal Circuit has confirmed yet another aspect of the PTAB’s evolving standard for amendment in post-grant proceedings. Where it stands today, patent owners bear the burden of distinguishing all prior art of record, including art cited in the post-grant proceeding itself, as well as any art cited during original prosecution. And, before the board, that standard includes every category of art listed in *Masterimage 3D*.

Given the extent of the patent owner’s burden, and the board’s exceptionally low grant rate, applicants should consider an approach to claiming that contemplates an absolute bar on amendment. Alternatively, if applicants have any hope of meeting the standard, reconsideration should be given to the type of gratuitous over-disclosure that is likely to produce a prosecution record overflowing with admittedly “material” prior art.

At bottom, prosecuting with an eye towards a post-grant challenge is an important survival skill—one patent owners must learn if they hope to withstand scrutiny in these new post-grant proceedings. The landscape is changing and prosecution must evolve with it.

¹² *Therasense Inc. v. Becton Dickinson & Co.*, 649 F.3d 1276, 1288, 2011 BL 137835, 99 U.S.P.Q.2d 1065 (Fed. Cir. 2011) (*en banc*) (82 PTCJ 140, 6/3/11)

¹³ See *Reg Synthetic Fuels LLC v. Neste Oil Oyj*, IPR2014-00192, Paper 48 (P.T.A.B. June 5, 2015); *Riverbed Tech., Inc. v. Silver Peak Sys., Inc.*, IPR2013-00402, Paper 35 (P.T.A.B. Dec. 30, 2014); *Riverbed Tech., Inc. v. Silver Peak Sys., Inc.*, IPR2013-00403, Paper 33 (P.T.A.B. Dec. 30, 2014); *Int’l Flavors & Fragrances Inc. v. United States*, IPR2013-00124, Paper 12 (P.T.A.B. May 20, 2014) (unopposed).