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Important PTAB decisions of 2017 and cases to watch in 2018

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Important PTAB decisions of 2017 and cases to watch for in 2018

Deborah Sterling, Ph.D., and Pauline Pelletier from Sterne, Kessler, Goldstein & Fox P.L.L.C. explore the significant 2017 PTAB decisions and cases as well as looking at some of the issues worth watching out for in 2018.

The fifth-year anniversary of the America Invents Act brought with it a number of dramatic developments in the legal landscape of trials before the Patent Trial and Appeal Board (PTAB). Multiple cases were heard by the U.S. Court of Appeals for the Federal Circuit sitting *en banc*, as well as taken up for review by the U.S. Supreme Court. We provide brief summaries of some of the notable cases decided in 2017, focusing on the practical impact for lawyers and stakeholders. We also reflect on what 2018 may bring for PTAB litigators and litigants.

Aqua Products, Inc.

Sitting *en banc* to evaluate whether the PTAB's standard for amending claims in post-grant proceedings was consistent with the text of the statute, the Federal Circuit

split on whether the AIA clearly placed a burden on petitioners to successfully contest any amendment offered by a patent owner. Several judges took the view that the statute was unambiguous – that petitioners carry such a burden and that patent owners should be allowed to amend if they follow certain rules. Several other judges took the view that the statute did not clearly indicate who bears the burden on amendment and that the Patent Office has authority to create regulations requiring patent owners to meet a higher standard. Nevertheless, a majority of the judges agreed that the Patent Office had not adopted a rule to date that authorized its current practice of requiring patent owners to distinguish all of the art in the record, all of the art in the file history, among myriad other requirements articulated in the PTAB's decisions *Idle Free* and *MasterImage3D*.

Despite the Federal Circuit's wrestling with the statutory text, the impact of *Aqua Products* in the near-term is likely to be that amending claims in post-grant proceedings gets easier. That should remain the case unless and until the Patent Office promulgates rules that codify the standard it had been applying based on *Idle Free* and *MasterImage3D*. In 2018, it will be interesting to see whether patent owners respond by trying to amend more frequently, and, importantly, how the PTAB will treat motions to amend in the future.

Phigenix, Inc. v. ImmunoGen, Inc.¹

Before the PTAB, Phigenix challenged the claims of ImmunoGen's patent relating to an antibody-maytansinoid conjugate used to treat a variety of cancers. Phigenix failed to prove unpatentability before the PTAB and appealed

¹ The authors note that the law firm with which they are affiliated represented ImmunoGen in this case.

Résumés

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that decision to the Federal Circuit. On appeal, ImmunoGen filed a motion to dismiss the appeal on grounds that Phigenix lacked standing under Article III of the Constitution. Unlike the PTAB, which is an Article I tribunal, Article III courts such as the Federal Circuit require a “case or controversy” between the parties – which, in turn, requires that the party seeking relief suffer “an injury-in-fact” that a favorable decision by the court can redress. Phigenix had challenged ImmunoGen’s patent without being sued or being threatened with a lawsuit. Rather, Phigenix represented that it had challenged ImmunoGen’s patent before the PTAB to “further its commercialization efforts with respect to its patent portfolio.” Phigenix asserted that its injury-in-fact was having fewer opportunities to license its own patents due to the existence of ImmunoGen’s patent. The Federal Circuit found Phigenix’s injury to be hypothetical and based on conclusory assertions, not supported by evidence, and dismissed the appeal for lack of standing.

Importantly, for the first time in the Federal Circuit’s 35-year history, it announced the standard for demonstrating standing in an appeal from an agency. Practically speaking, the outcome in *Phigenix* means that petitioners must consider standing and not assume that they will be entitled to review by the Federal Circuit if there is a not a clear

case or controversy involving the challenged patent. How this issue may affect companies who are in the process of developing a product is one to watch carefully. See, e.g., *Momenta Pharmaceuticals, Inc. v. Bristol-Myers Squibb Company*, Appeal No. 17-1694 (involving a challenge to the Article III standing of a petitioner where the petitioner is asserting that it has “invested substantial time and resources to develop a biosimilar” and has committed to commencing phase III clinical trials in 2017).

Ultratec, Inc. v. CaptionCall, LLC

A growing number of cases illustrate that the Federal Circuit is focused on scrupulously enforcing the requirements of the Administrative Procedure Act (APA) in PTAB proceedings. While recognizing that the PTAB has a mandate to conduct post-grant proceedings efficiently and to complete them within one year, the Federal Circuit has consistently questioned certain procedures and actions that may violate due process or that provide insufficient reasoning to support a valid exercise of judicial review. In *Ultratec, Inc. v. CaptionCall, LLC*, the Federal Circuit took a panel of the PTAB to task for denying one of the parties an opportunity to submit conflicting testimony from the other party’s expert. The party seeking to admit the testimony had requested permission to move to do so, but was rebuffed by the panel. The PTAB did not memorialize that decision or explain why it refused to consider the motion to introduce the testimony. The Federal Circuit found this to be an abuse of discretion and not in accordance with the APA: “If the APA requires the Board to explain denial of a motion then it likewise requires the Board to explain the denial of a request to make a motion.” Promptly after this decision, the PTAB began initiating transcription of conference calls, whether or not one of the parties hired someone to do so. This suggests that the PTAB is responding to the Federal Circuit’s mandate on APA compliance and taking steps to ensure that it is adequately documenting and supporting its decision-making in PTAB proceedings.

“The Supreme Court agreed to review two appeals from the PTAB, for which we expect decisions in 2018.”

Cases to watch for in 2018

Oil States v. Greene's Energy Group, LLC

The Supreme Court agreed to review two appeals from the PTAB, for which we expect decisions in 2018. The first is *Oil States v. Greene's Energy Group, LLC* where the question presented is whether the entire *inter partes* review process violates the U.S. Constitutional right to a trial by jury. *Oil States* stands to create precedent implicating judicial views on the so-called administrative state and its relationship to patent law.

It is also likely to tackle the legal-philosophical question of whether a patent is more aptly considered a property right or a revocable license issued through an act of government largess. Either the Supreme Court will find the entire PTAB trial regime unconstitutional – undoing decades worth of policy – or conclude that the process is constitutional, silencing similar challenges.

SAS Institute Inc. v. Matal

On the same day as it hears *Oil States*, the Supreme Court will also hear oral arguments in *SAS Institute Inc. v. Matal* involving the question of whether the PTAB can limit the scope of trial to less than all of the claims originally challenged by the petitioner.

The subtext of the Supreme Court's interest in *SAS* seems to be the statutory requirement that the PTAB issue a final decision "with respect to the patentability of any patent claim challenged by the petitioner." The PTAB routinely issues final decisions on less than all challenged claims after it denies institution on a subset of challenged claims. As a practical matter, the current practice favors petitioners in that they are not bound by the estoppels that flow from a final decision. If institution is denied on some claims, petitioners are

free to attack them later on the same grounds. If the Supreme Court finds the PTAB's practice to be in error, the PTAB presumably must start addressing claims unsuccessfully challenged at the outset.

Wi-Fi One v. Broadcom

The Federal Circuit sitting *en banc* heard arguments in *Wi-Fi One v. Broadcom* and a decision is still forthcoming. The question presented in *Wi-Fi One* is whether the PTAB's failure to apply the time-bar of 35 U.S.C. § 315(b) is reviewable on appeal to the Federal Circuit. The Federal Circuit's current precedent precludes review on appeal. This question matters to many stakeholders who seek to challenge petitions filed by those who are in privity with a time-barred party or are acting at their behest.

For example, if a company was sued and then missed the one-year statutory deadline to file a petition, the statute forbids them from coordinating with a party who was not sued to avoid the time-bar. Yet, in practice, this has been known to happen and new business models have emerged that challenge the statutory definition of "privity" and "real party-in-interest." Section 315(b) challenges sometimes require additional discovery and frequently turn on the application of common law principles and questions of corporate ownership – areas in which the Patent Office is assumed to have little to no expertise. Some stakeholders are frustrated with the lack of judicial review and hope that the Federal Circuit will allow it for this issue.

In conclusion, in 2017, the Federal Circuit provided valuable feedback to the Patent Office, the PTAB, and those who practice before it. But 2018 will give an answer to the most important outstanding question – the constitutionality of *inter partes* reviews in the first place. The answer to which every patent-owning entity and the patent community at large awaits with bated breath.

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