

# 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

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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.