

# PTAB Strategies and Insights

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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.

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.

Kind Regards,

**[Jason D. Eisenberg](#)**  
Editor

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By [Jason D. Eisenberg](#) and [Andrew P. Stevens](#)

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## Short Take: Latest *Arthrex* Update

By [Jason D. Eisenberg](#)

On Friday May 27, 2022, the Federal Circuit added another [opinion](#) to the *Arthrex* line of cases. As a short refresher, *Arthrex* was back at the Federal Circuit after being remanded to the Board for Director Review after Patent Owner's Supreme Court win. The latest decision, in short summary, held "*Arthrex* does not persuade us that the Commissioner violated the Appointments Clause, the FVRA, or the Constitution's separation of powers in denying *Arthrex*'s rehearing request. Nor does it identify reversible error in the Board's decision that *EI*Ante anticipated the challenged claims of the '907 patent. Accordingly, we affirm."

## Short Take: PTAB's Interim Process for Decision Circulation

By [Jason D. Eisenberg](#)

Recently, in an effort to increase transparency and predictability, the new USPTO Director Vidal published "[Interim process for PTAB decision circulation and internal PTAB review.](#)" This initiative was included in a May 24th [Director's Blog](#) that included several other initiatives which practitioners should review to better understand the direction of the Office under Director Vidal's leadership. For example, topics included: Vision and Mission statements, Interim procedures, Service, Process. Community, Harmonization, Inclusion, Innovation, and other critical topics.

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This case involves five claims directed to swapping out instruments for robotic surgery systems. Slip Op., p. 2. Auris petitioned for *inter partes* review of Intuitive's claims, as unpatentable for obviousness. *Id.* Auris asserted Smith and Faraz as prior art references, with Smith directed towards a remotely manipulated exoskeleton controller for a robotic surgical system and Faraz directed towards an adjustable support stand that holds surgical instruments. Slip Op., p. 3-4. In the Board's Final Written Decision, the Board "determined that Auris's asserted prior-art combination [] disclosed each limitation of the challenged claims." Slip Op., p. 3. However, the parties disputed whether "a skilled artisan would have been motivated to combine" the references. *Id.* Auris argued that "a skilled artisan would be motivated to combine [the references] to decrease the number of assistants needed during surgery[.]" while Intuitive argued that there would not have been a motivation to combine based on general industry skepticism because "surgeons were skeptical about performing robotic surgery in the first place." Slip Op., p. 5. The Board sided with Intuitive on this issue, concluding there was a lack of motivation to combine, and Auris appealed the decision. Slip Op., p. 2.

Here, the majority couched their analysis on a "would have" question for obviousness – "[t]he motivation-to-combine inquiry asks whether a skilled artisan 'not only could have made but *would have* been motivated to make the combinations . . . of prior art to arrive at the claimed invention.' *Belden Inc. v. Berk-Tek LLC*, 805 F.3d 1064, 1073 (Fed. Cir. 2015)." Slip Op., 5 (emphasis added). The majority then couched the *skepticism* inquiry as only a secondary considerations question and one that requires the skepticism to be "specific to the invention, not generic to the field." Slip Op., 6. The Court noted that while the Board "credited Intuitive's vague expert testimony that 'there was great skepticism for performing telesurgery' at the time of the invention" to find "a skilled artisan 'would not have been compelled to complicate Smith's system further,'" that was insufficient for the Board to find non-obviousness. *Id.* Not wanting to perform fact-finding in the first instance on competing evidence involving the purpose of the combined references, the

Court vacated and remanded. *Id.*

In dissent, Judge Reyna disagreed with at least two premises of the majority decision: (1) that general industry skepticism can *never* support a finding of no motivation to combine and (2) the majority's "inflexible and rigid" holding that "it is 'impermissible' for the Board to consider evidence of artisans' skepticism toward robotic surgery in determining motivation to combine." Slip Op. Dissent, 2-3.

First, the dissent provided a detailed list of expert testimony provided to the Board and noted each piece of the evidence met the substantial evidence standard and should have been used to affirm the Board's non-obviousness decision. *Id.*, 2.

Second, the dissent discussed why the majority's categorization of *skepticism* as a secondary consideration inquiry was wrong. *Id.*, at 4. And more so, why the majority's delegation of secondary consideration inquiry to being of lesser value than the core obviousness inquiry was wrong. *Id.* For the latter, Judge Reyna relied on three cases to demonstrate that all four *Graham* factors have equal weight in the obviousness inquiry: *Apple Inc. v. Samsung Elecs. Co.*, 839 F.3d 1034, 1048 (Fed. Cir. 2016) (en banc) ("A determination of whether a patent claim is invalid as obvious under § 103 requires consideration of all four Graham factors, and it is error to reach a conclusion of obviousness until all those factors are considered."); *Pro-Mold & Tool Co. v. Great Lakes Plastics, Inc.*, 75 F.3d 1568, 1573 (Fed. Cir. 1996) ("It is the secondary considerations that are often most probative and determinative of the ultimate conclusion of obviousness or non-obviousness. The district court did not provide reasons for apparently discounting Pro-Mold's evidence of secondary considerations; that was error as a matter of law."); and *Mintz v. Dietz & Watson, Inc.*, 679 F.3d 1372, 1378 (Fed. Cir. 2012) ("These objective guideposts are powerful tools for courts faced with the difficult task of avoiding subconscious reliance on hindsight.").

### **Take Away:**

When presenting industry skepticism evidence to show a lack of motivation to combine references, this case suggests that it is best practice to present skepticism specific to the invention and in combination with other evidence showing a lack of motivation to combine.

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## Blending Butane Brings Contract Law to 35 U.S.C. § 102's On-Sale Bar and Experimental Use Determination

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As post grant review allows for on sale bar assertions, and thus experimental use defenses, we wanted to highlight a recent case addressing these issues.

Sunoco sued Venture and U.S. Oil Co. for infringement of U.S. Patent Nos. 7,032,629, 6,679,302, 9,494,948, and 9,606,548. After a bench trial, the district court awarded Sunoco \$2 million in damages, which was trebled to \$6 million. Venture appealed the district court's rejection of the on-sale bar defense arguing experimental use, infringement determination, claim construction, and decision to enhance damages. This article focuses on the Federal Circuit's (the Court's) analysis of the on-sale bar defense and its interplay with experimental use law and contract law.

As background, before gasoline is sold and pumped into a car, gasoline producers blend butane into gasoline to keep the volatility, allowing for quicker car starts in the winter and cutting costs. But there is a multi-stage distribution process: oil is refined into gasoline, travels through a pipeline to a tank farm, is dispensed from tanks into trucks, and taken to gas stations. In the appeal of [Sunoco Partners Marketing & Terminals, L.P. v. U.S. Venture, Inc.](#), Sunoco's asserted patents are directed to maximizing butane content while complying with EPA regulations and describe a system and method for blending butane near the end of that distribution process.

The on-sale bar defense, if found, renders a claim invalid under Section 102, based on the principle that no person is entitled to patent an invention that has been on sale more than one year before filing a patent application (the "critical date"). To prove this defense, Venture had to show that Sunoco's patented invention was (a) the subject of a commercial offer for sale and (b) ready for patenting, by clear and convincing evidence.

In rebuttal, Sunoco tried to prove that the sale was primarily for purposes of experimentation. The experimental-use doctrine is based on the principle that inventors have a right to make a *bona fide* effort to bring the invention to perfection or determine if the invention will answer the intended purpose. And if experimental use is shown, it provides an exception to infringement.

The court weighs these competing interests to ensure patent owners do not preserve a monopoly for longer than the statutory term.

Here, two days before the critical date, the inventors' company offered to sell an automated butane blending system to Equilon and install it at the terminal. The District Court found that multi-stage contracts which anticipate future business, such as the Equilon agreement, may be driven by an experimental purpose. As such, the question is: was this transaction experimental or commercial? The Federal Circuit reviewed the district court's on-sale bar findings *de novo*, ultimately reversing the district court's finding of the experimental-use based on the law of contracts.

Looking at the Equilon agreement under contract law, the Court found various factors and provisions convincing:

- the transaction was explicitly described as a sale;
- the presence of a recitation section;
- MCE represented it had already developed the technology;
- consideration in the obligation of Equilon to purchase at least 500,000 barrels of butane from MCE over five years; and
- the likelihood that title transferred.

That the provisions intertwined the sale of equipment with the five-year supply commitment did not negate the Court's finding of a sale. Furthermore, the Court did not find persuasive Sunoco's reference to the "Equipment Testing" section of the agreement as support of experimental use. That section involved (a) pre-installation testing, which was done by a third party at a different site, and (b) post-installation testing, which were used to determine whether the equipment satisfied the operating standards. According to the Court, these tests do not indicate an intent to experiment with the system's design – they're just a condition for sale.

But even if the inventors intended the testing to be experimental (instead of commercial) and, indeed, the inventors in this case provided such sworn testimony, the determination of the on-sale bar must be based on an objective evaluation of the transaction. An objective determination may be found if any of the following guiding factors are present in the transaction[i]:

- the necessity for public testing
- the amount of control over the experiment retained by the inventor
- the nature of the invention
- the length of the test period
- whether payment was made
- whether there was a secrecy obligation
- whether records of the experiment were kept
- who conducted the experiment
- the degree of commercial exploitation during testing
- whether the invention reasonably requires evaluation under actual conditions of use
- whether testing was systematically performed
- whether the inventor continually monitored the invention during testing; and
- the nature of the contacts made with potential customers.

The Court determined that these "acceptance tests" could not demonstrate an experimental use exception to patent infringement and rather demonstrated a commercial transaction, thus triggering the on-sale bar because the agreement was signed days *before* the critical date. Ultimately, on this issue, the Court reversed the lower court's finding of the experimental use and vacated the infringement determination for claim 2 of the '629 patent and claims 2, 3, and 16 of the '302 patent.

### **Takeaway:**

In summary, when trying to assert on sale bar at the Office, a petitioner must consider whether there was a commercial benefit that the Patent Owner gained from using the invention before filing the patent. While this must be proved by an exacting standard of "clear and convincing evidence," this case outlines various factors that can be persuasive. If there is a commercial benefit before the critical date, the petitioner can look to agreements or actions by the Patent Owner indicating that consideration or an exchange was contemplated – even if it could not be completed before the critical date.

And equally, if a Patent Owner wants to rebut the on sale bar with the experimental use exception, the Patent Owner must consider the terms and representation of any agreement it made regarding the invention. In anticipating an on-sale bar argument, the Patent Owner may look for concrete ways to demonstrate that the parties to the agreement were involved in the research or testing, and that such testing played a greater role to the invention's development than installation. Since the Federal Circuit can review on-sale determinations *de novo*, it does not need to defer to a lower court or Board's decision except for underlying factual determinations.

Finally, the role of a contract or agreement as well as the expectations of the parties involved may boil down to a battle of the experts (not the parties involved) or a *de novo* review by the Federal Circuit under

such legal principles. Additionally, if discovery may reveal any transactions or sales that occurred before the critical date, parties can expect disputes regarding potential inequitable conduct if such knowledge is not timely raised.

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[i] *Electromotive Div. of Gen. Motors Corp. v. Transp. Sys. Div.*, 417 F.3d 1203, 1213 (Fed. Cir. 2005).

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