

# **Re-Balancing the Scales in PTAB Post Grant Trial Proceedings**

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# Re-Balancing the Scales in PTAB Post Grant Trial Proceedings

## Brian P. Murphy <sup>1</sup>

### Introduction

The scales of justice in Patent Trial and Appeal Board (“PTAB”) post grant trial proceedings tilted decisively in favor of patent owners in 2018, a trend that will dominate PTAB proceedings in 2019 and beyond. There are several reasons for the pro-patent owner shift, but the two most important are: (1) USPTO Director Andrei Iancu has initiated fundamental policy changes; and (2) the Supreme Court and Federal Circuit continue to limit PTAB discretion and expand reviewability of PTAB decisions. This chapter will explore, in depth, these overarching principles as the PTAB enters its seventh year following enactment of the America Invents Act (“AIA”). Keep your seatbelts fastened!

### Director Iancu’s Policy Changes

Director Iancu’s policy goals are to achieve better “balance,” “predictability,” “reliability,” and “fairness” in the patent system, particularly in PTAB post grant trial proceedings.<sup>2</sup> Director Iancu followed his U.S. Chamber of Commerce speech with a two-pronged policy approach: refine patent eligibility standards and recalibrate PTAB post grant trial procedures. I discuss the Director’s most significant PTAB policy changes below.

1. **New Claim Construction Standard.** The Office has replaced the Broadest Reasonable Interpretation (“BRI”) claim construction standard, approved by the Supreme Court in *Cuozzo*<sup>3</sup>, with the district court *Phillips*<sup>4</sup> standard. [83 Fed. Reg. 197, 51,340 \(Oct. 11, 2018\)](#) (to be codified at 37 C.F.R. pt. 2).
  - a. Effective for IPR, PGR, and CBM petitions *filed* after November 13, 2018;
  - b. PTAB will apply the same standard applied in district court and the ITC to construe challenged patent claims and proposed substitute (amended) claims;
  - c. PTAB will consider any timely filed claim construction ruling from district court or the ITC;

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<sup>2</sup> See Iancu, Andrei, “Role of U.S. Patent Policy in Domestic Innovation and Potential Impacts on Investment,” U.S. Chamber of Commerce Patent Policy Conference (April 11, 2018).

<sup>3</sup> *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144-46 (2016) (“[The appropriate claim construction standard for AIA proceedings] is a question that Congress left to the particular expertise of the Patent Office.”).

<sup>4</sup> *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc).

- d. “The Office’s goal is to implement a balanced approach, providing greater predictability and certainty in the patent system;”<sup>5</sup> and
- e. The Office notes 86.8% of patents at issue in AIA proceedings are also the subject of district court litigation.

**Takeaways:**

**There will be one correct claim construction** in AIA, district court, and ITC proceedings in an effort to achieve more consistency, certainty, and efficient use of judicial resources. Replacement of BRI should mean incrementally fewer opportunities for PTAB to find claims unpatentable. PTAB judges, however, are not bound by a district court or ITC claim construction, and vice-versa.

Petitioners and patent owners who continue to argue different claim constructions in district court and at the PTAB do so at their peril. Petitioners can no longer use BRI to justify broader claim constructions at the PTAB than those presented in district court non-infringement contentions.

**Petitioners should decide on non-infringement contentions** and claim construction positions in district court proceedings *before* filing an AIA petition, if possible. Waiting to file a petition, however, may impact a district court’s willingness to stay litigation.

**Patent Owners should avoid implicit claim narrowing.** PTAB judges are particularly vigilant when patent owners attempt to avoid prior art disclosures by reading an implicit, un-recited limitation into a claim. This tactic can work against patent owners at the PTAB.

**Prosecution history analysis and disclaimers** will figure more prominently in PTAB claim construction opinions. Clear and unambiguous disclaimers may be used to support a patent owner’s construction that is narrower than plain and ordinary meaning.

PTAB judges give serious consideration to district court and ITC claim construction rulings but may consider a different construction if persuaded of an analytical error by a district court or the ITC.

**Whether claim preambles are limiting** will continue to be a rich source of disagreement.

- 2. **Discretionary Denial of Petitions.** PTAB has put teeth into the standards supporting discretionary petition denials. *See General Plastic Indus. Co., Ltd. v. Canon Kabushiki Kaisha*, IPR2016-01357, Paper 19 (PTAB Sept. 6, 2017) (designated Precedential Oct. 18, 2017), § II.B.4.i; *NVIDIA Corp. v. Samsung Elec. Co.*, IPR2016-00134, Paper 9 (PTAB May 4, 2016).

- a. The General Plastic/NVIDIA factors:

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<sup>5</sup> 83 Fed. Reg. at 51,342 col. 3 – 51,343 col. 1.

- i. whether the same petitioner previously filed a petition directed to the same claims of the same patent;
  - ii. whether at the time of filing of the first petition the petitioner knew of the prior art asserted in the second petition or should have known of it;
  - iii. whether at the time of filing of the second petition the petitioner already received the patent owner’s preliminary response to the first petition or received the Board’s decision on whether to institute review in the first petition;
  - iv. the length of time that elapsed between the time the petitioner learned of the prior art asserted in the second petition and the filing of the second petition;
  - v. whether the petitioner provides adequate explanation for the time elapsed between the filings of multiple petitions directed to the same claims of the same patent;
  - vi. the finite resources of the Board; and
  - vii. the requirement under 35 U.S.C. § 316(a)(11) to issue a final determination not later than 1 year after the date on which the Director notices institution of review.
- b. In *General Plastic*, PTAB noted that “factor 3 is directed to Petitioner’s potential benefit from receiving and having the opportunity to study Patent Owner’s Preliminary Response, as well as our institution decisions on the first-filed petitions, prior to its filing of follow-on petitions.”<sup>6</sup> The Board found that it would be “*unfair*” to patent owners to “allow petitioners the opportunity to strategically stage their prior art and arguments in multiple petitions, using our decisions as a *roadmap*, until a ground is found that results in the grant of review.”<sup>7</sup> On request for reconsideration, PTAB affirmed denial of institution because 6 out of the 7 factors weighed against institution.

**Takeaways:**

**PTAB has become more aggressive in exercising its discretionary denial power** in the name of judicial efficiency and to protect patent owners from follow-on petitions that use prior denied petitions as a “roadmap” or “test case” for improving petitioner arguments. *See Shenzhen*

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<sup>6</sup> *General Plastic*, Paper 19 at 17.

<sup>7</sup> *Id.* (emphasis added).

*Silver Star Intelligent Tech. v. iRobot Corp.*, IPR2018-00761, Paper 15 (PTAB Sept. 5, 2018) (denying institution even though factor 1 – different petitioners – weighed in favor of institution).

- c. In *Shenzhen*, the Board denied institution even though the “same petitioner” did not file the follow-on petition. The follow-on petition was filed by a “similarly situated” co-defendant in litigation. This was the only factor that weighed in favor of institution.

In a concurring opinion, Administrative Patent Judge William V. Saindon proposed an 8th factor to be considered by the Board: “the extent to which the petitioner and any prior petitioner(s) were similarly situated defendants or otherwise realized a similar-in-time hazard regarding the challenged patent.”<sup>8</sup> Judge Saindon reasoned that “it is generally unfair for one defendant to wait for a ‘test case’ to go through the *inter partes* review process by another defendant before filing their own petition.”<sup>9</sup> In so doing, he noted that the “relationship” between Petitioners contemplated under Factor 1 “weighs particularly heavy” in the Board’s analysis of Factor 3.<sup>10</sup>

Judge Saindon noted that “the factor proposed above will provide more clearly an indication that the Board intends to scrutinize closely, and that parties should draw our attention to, relevant information regarding related litigation that provides a context for the filings before us.”<sup>11</sup>

**Section 325(d) denials**, based on an *examiner’s substantive review* of the same or substantially the same prior art during prosecution, remain robust. *See, e.g., Merial, Inc. v. Intervet Int’l B.V.*, IPR2018-00919, Paper 13 (PTAB October 22, 2018).

- d. In *Merial*, PTAB denied institution of *inter partes* review of a patent directed to a virus vaccine for pigs under 35 U.S.C. § 325(d). “[T]he Examiner considered Jestin, Blanchard, and Meng during prosecution of the ’001 patent and considered Blanchard during prosecution of the parent application to the ’001 patent’s application.”<sup>12</sup>

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<sup>8</sup> *Shenzhen*, Paper 15 at 17-18.

<sup>9</sup> *Id.* at 17.

<sup>10</sup> *Id.*

<sup>11</sup> *Id.* at 19.

<sup>12</sup> *Merial*, Paper 13 at 12-13.

“Although the Examiner did not discuss Meng in rejecting any pending claims during the ’001 patent’s prosecution or the parent application’s prosecution, Meng is listed as one of only 10 references on the front cover of the patent. . . . [W]e determine that Meng is cumulative to the prior art the Examiner previously evaluated during prosecution of the ’001 patent and its parent application.”<sup>13</sup>

“[W]e find that the Examiner evaluated Jestin, Blanchard, and the cumulative reference Van Woensel during examination of the ’001 patent and its parent application and substantively applied their teachings to reject the claims. . . . We see no substantive difference between the Examiner’s findings during prosecution and Petitioner’s arguments here.”<sup>14</sup>

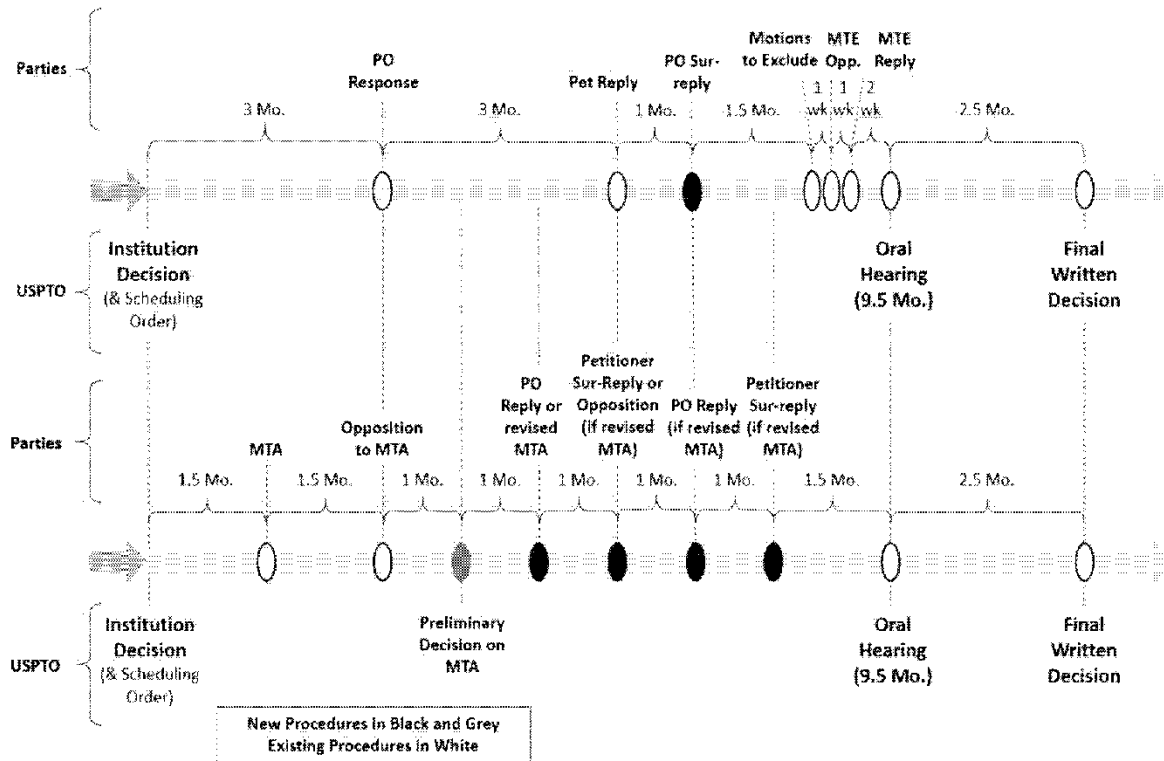
- 3. New Claim Amendment Process.** On October 29, 2018 the Office issued a Request for Comments on a proposed new motion to amend procedure. [83 Fed. Reg. 209, 54,319-54,326 \(Oct. 29, 2018\)](#). The Office requested comments by December 21, 2018 on:
- a. An “improved amendment practice in AIA trials . . . that is fair and balanced;”
  - b. A pilot program in 2019 to implement the new claim amendment process; and
  - c. Whether petitioner or patent owner should bear the burden of persuasion on a motion to amend patent claims.
  - d. Patent owners will be granted two opportunities to propose amended claims in AIA review proceedings, (i) within six weeks following a PTAB decision to institute review of the patent claims, and (ii) within one month following a preliminary, non-binding PTAB decision on the merits of the proposed claim amendments. The PTAB has summarized the proposed procedure in the following timeline.

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<sup>13</sup> *Id.* at 13-14.

<sup>14</sup> *Id.* at 16-17.

## Overlay of Proposed New Motion to Amend Process Timeline and AIA Trial Timeline



- e. PTAB will issue a non-binding preliminary decision on whether proposed amended claims satisfy the statutory, regulatory, and patentability requirements for a motion to amend. Patent owners will then have the right either to reply or “revise” the motion to amend in response to any statutory, regulatory, or patentability issues identified by PTAB. Petitioners would have the right to oppose the motion at each stage, and submit evidence after PTAB’s non-binding preliminary decision.
- f. If a petitioner chooses not to participate in an AIA review proceeding, and in the absence of an opposition to a patent owner’s motion to amend the claims, PTAB may request an “advisory report” from an examiner in the Central Reexamination Unit of the Patent Office. An examiner’s advisory report would include any prior art search results, an assessment of whether the proposed amended claims satisfy the statutory, regulatory, and patentability requirements for a motion to amend, and consideration of any witness affidavits or declarations. The examiner’s advisory report would not



consider cross-examination testimony, make witness credibility determinations, or address admissibility of evidence.

**Takeaways:**

**With two as-of-right amendment opportunities** for patent owners to propose amended claim language and respond to PTAB feedback and petitioner opposition, PTAB's proposed changes provide patent owners with a better opportunity to have amended claims accepted during AIA review proceedings.

**The proposed time frames** are punishingly short and will pressure both patent owners and petitioners alike. Comments received from AIPLA and NYIPLA, for example, strongly urge the Office to take advantage of the six-month good cause period to expand the time frames and extend the process beyond 12 months if needed.

**Intervening rights** will continue to restrain patent owners' willingness to propose amended claims during co-pending litigation, but PTAB's proposed changes should encourage an increase in motions to amend during AIA review proceedings.

**Burden of Persuasion will be on petitioners.** Assuming a petitioner satisfies its burden of persuasion that a challenged claim is unpatentable, the burden of production shifts to patent owner to support a contingent motion to amend. A patent owner's contingent motion to amend (i) must propose a reasonable number of (ii) substitute claims and (iii) must not enlarge the scope of the claims or (iv) introduce new matter. 35 U.S.C. §§ 316(d), 326(d). To these four statutory requirements, the Office adds a fifth, namely that a contingent motion to amend may be denied if it "does not respond to a ground of unpatentability involved in the trial." 37 CFR § 42.121(a)(2)(i).<sup>15</sup>

Most comments support PTAB's current position that if patent owner satisfies its burden of production "the burden of persuasion will ordinarily lie with the petitioner to show that any proposed substitute claims are unpatentable by a preponderance of the evidence."<sup>16</sup> Just as the petitioner bears the burden of persuasion to prove each challenged claim unpatentable, so too petitioner should bear the burden of persuasion to prove proposed substitute claims unpatentable.<sup>17</sup> This is consistent with the

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<sup>15</sup> *see Western Digital Corporation v. Spex Technologies*, IPR2018-00082, Paper 13 at 5-6 (PTAB April 25, 2018) ("Western Digital Order") (designated Precedential June 1, 2018). The *Western Digital Order* further states, in dicta, that a contingent motion to amend may contain claim amendments that "address potential 35 U.S.C. § 101 or § 112 issues." *Western Digital Order* at 6. The scope of such proposed amendments, addressing potential § 101 or 112 issues (beyond confirming no new matter is introduced), is not expressed in the statute.

<sup>16</sup> *Id.* at 4.

<sup>17</sup> *See Aqua Products Inc. v. Matal*, 872 F.3d 1290, 1296 ("[T]he most reasonable reading of the AIA is one that places the burden of persuasion with respect to the patentability of amended claims on the petitioner."); *see also*

Supreme Court’s admonition in *SAS Institute v. Iancu*, that “the petitioner’s contentions, not the Director’s discretion, define the scope of the litigation all the way from institution through to conclusion.”<sup>18</sup> If petitioner’s contentions define the scope of the instituted trial proceeding from beginning to end, then petitioner should bear the burden of proving unpatentability from beginning to end.

The question of whether PTAB itself has the authority to justify a finding of unpatentability of proposed substitute claims when a petitioner remains in the proceeding was raised recently in *Sirona Dental Systems GmbH v. Institut Straumann AG*, 892 F.3d 1349, 1357 (Fed. Cir. 2018). In the *Sirona* case, the Federal Circuit remanded the Board’s pre-*Aqua Products* denial of patent owner’s motion to amend for improperly placing the burden of persuasion on patent owner. Patent owner also objected to the Board’s decision as improperly rejecting the proposed substitute claims based on a combination of references not raised by Petitioners. Citing “recent precedent,” specifically including the Supreme Court’s *SAS Institute* decision and its emphasis on limiting the scope of a trial proceeding to “petitioner’s contentions,” the Federal Circuit directed PTAB to consider “whether it may consider combinations of references not argued by the petitioner in opposing the motion to amend claims, and, if so, what procedures consistent with the APA are required to do so.”<sup>19</sup>

**Strategic Considerations.** PTAB’s proposed changes, while providing patent owners with a stronger process to have claim amendments entered, will require patent owners to make an earlier decision on whether to propose amended claims. Petitioners will have to think long and hard about the post-*SAS Institute* estoppel effects of potential claim amendments by patent owner, *before* filing an AIA review petition. The new procedure will provide patent owners with an argument that petitioners should be estopped from challenging successfully amended claims in district court proceedings.<sup>20</sup>

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*Bosch Automotive Service Solutions, LLC v. Matal*, 878 F.3d 1027, 1040 (Fed. Cir. 2017) (corrected March 28, 2018).

<sup>18</sup> *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1357 (2018).

<sup>19</sup> *Sirona Dental Systems*, 892 F.3d at 1357.

<sup>20</sup> See 35 U.S.C. § 315(e)(2) (“The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not assert [in a civil action or ITC proceeding] that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.”).

**4. New Precedential Decision Standard Operating Procedure.** On September 20, 2018 PTAB issued revised Standard Operating Procedure (“SOP”) 2 that creates a Precedential Opinion Panel and sets forth new procedures for designating and de-designating precedential and informative decisions. See [SOP 2 \(Revision 10\)](#).

- a. Replaces former practice, which required a majority vote of all 270+ PTAB judges to designate a decision as precedential, with a new Precedential Opinion Panel (“POP”) comprised of the Director, Commissioner for Patents, and PTAB Chief Judge.
- b. The new POP is intended to replace expanded panels and address decisions bearing on “constitutional questions; important issues regarding statutes, rules, and regulations; important issues regarding binding or precedential case law; or issues of broad applicability to the Board.”<sup>21</sup>
- c. For decisions recently issued in a pending case, either the Director, a party to the proceeding, the Commissioner for Patents, the Chief Judge, or any other member of the Board may recommend POP review of a Board decision.
- d. POP precedential decisions are “binding Board authority in subsequent matters involving similar facts or issues.”<sup>22</sup>
- e. For previously issued Board decisions, any person can nominate a decision for precedential designation. The decision will be screened and considered by a five-member PTAB Executive Judges Committee (Chief, Deputy Chief, and Vice Chief Judges) for recommendation to the Director as a precedential decision.
- f. “The Director may designate any decision by any panel, including the Precedential Opinion Panel, as precedential without regard to the procedures set forth herein.”<sup>23</sup>
- g. Only the Director decides whether to de-designate a precedential decision.

**Takeaways:**

**The Director has taken control of the precedential decision process.** The new procedure for POP review of pending decisions replaces the use of expanded panels and will result in precedential decisions issued by the Director (Andrei Iancu), Commissioner (Drew Hirshfeld), and Chief Judge (Acting Chief Scott Boalick). The new procedure addresses criticism that PTAB has engaged in “panel

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<sup>21</sup> SOP 2 (Rev. 10) at 3-4.

<sup>22</sup> SOP 2 (Rev. 10) at 11.

<sup>23</sup> SOP 2 (Rev. 10) at 8.

stacking” in the past to achieve particular outcomes, most notably in the case of *Target v. Destination Maternity*.<sup>24</sup>

The new procedure also may have been a response to a recent certiorari petition and Federal Circuit appeal challenging the constitutionality of the process by which PTAB judges are appointed, which is done by the Secretary of Commerce.<sup>25</sup>

Although PTAB judges may still “comment” on previously issued Board decisions that may be nominated for precedential consideration, the decision on whether to designate a nominated decision as precedential will be made by the Director.

**The POP has taken its first case.** The POP recently issued a rehearing order for POP review of a Board decision denying institution, in order to address conflicting Board decisions regarding same party joinder.<sup>26</sup> The issues are whether 35 U.S.C. § 315(c) permits so-called “same party joinder” of a petitioner or joinder of new issues to an existing IPR proceeding, and whether the existence of a time-bar under 35 U.S.C. § 315(b) has any impact on the first two questions. These issues were raised in the *Target v. Destination Maternity* case.

**Look for more precedential decisions favorable to patent owner,** likely starting with a decision denying same party/new issue joinder in the *Proppant Express* case.

5. **Trial Practice Guide Update.** In August 2018, PTAB issued the first major update to its Trial Practice Guide (“TPG”), which sets out rules of practice for IPRs, PGRs, CBMRs, and Derivation proceedings.

[https://www.uspto.gov/sites/default/files/documents/2018\\_Revised\\_Trial\\_Practice\\_Guide.pdf](https://www.uspto.gov/sites/default/files/documents/2018_Revised_Trial_Practice_Guide.pdf) The guide was updated to “encourage consistency of procedures among panels of the Board.”<sup>27</sup> The most significant TPG provisions are discussed below, in order of appearance.

- a. **Expert testimony.** These provisions make explicit the PTAB’s existing practices regarding expert testimony.

- i. PTAB liberally construes expert qualification in accordance with Fed. R. Evid. 702, which explains the comments that expert qualification does not

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<sup>24</sup> *Target Corp. v. Destination Maternity Corp.*, IPR2014-00508, Paper 28, (PTAB Feb. 12, 2015).

<sup>25</sup> *Polaris Innovations Ltd. and Smartflash LLC* recently argued that PTAB judges are principal officers who must be appointed by the President and confirmed by the Senate, because they issue final decisions about patents that are not subject to further review by the Director. See *Polaris Innovations Ltd. v. Kingston Tech. Co.*, Appeal No. 2018-1768 (Fed. Cir. 2018) (appeal from IPR2016-01621); and *Smartflash LLC v. Samsung Elects Am., Inc.*, 718 Fed. Appx. 985 (Fed. Cir. 2018), cert. denied, 139 S. Ct. 276 (2018).

<sup>26</sup> See *Proppant Express Investments, LLC v. Oren Techs., LLC*, IPR2018-00914, Paper 24 (PTAB Dec. 3, 2018).

<sup>27</sup> TPG at 2.

require “a perfect match” between the expert’s experience and the relevant art or an “advanced degree in a particular field,” as long the testimony is “helpful to the Board.”<sup>28</sup> PTAB judges are very comfortable assigning appropriate weight to expert testimony, and they are generally skeptical of qualification attacks and motions to exclude expert testimony in the absence of a serious mismatch between the expert’s experience and the relevant art.

- ii. PTAB judges are more concerned with detailed technical explanations and documentary corroboration when assessing how much weight to give to an expert’s opinion testimony. A conclusory opinion that fails to “disclose the underlying facts or data on which the opinion is based is entitled to little or no weight.”<sup>29</sup>
- iii. The TPG emphasizes that, while expert opinion testimony can explain prior art, unsupported expert opinion testimony cannot be used to fill the gap when a prior art reference fails to expressly or inherently disclose a claim limitation or otherwise “supply a limitation that is not evidently and indisputably within the common knowledge of those skilled in the art.”<sup>30</sup>

**b. Word counts and page limits.**

- i. Sur-replies to principal briefs (discussed below) are subject to the same word or page limits as the reply.
- ii. PTAB takes pains to point out that “presentation of an overwhelming number of issues tends to detract from the argument being presented, and can otherwise cause meritorious issues to be missed or discounted.”<sup>31</sup> The best petitions are limited to no more than two or three clearly explained and well-supported grounds of unpatentability.
- iii. Don’t use excessive acronyms, abbreviations, or “words in figures, drawings, or images . . . to circumvent the rules on word count.”<sup>32</sup> PTAB judges get really annoyed when parties engage in this type of gamesmanship.

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<sup>28</sup> *Id.* at 3.

<sup>29</sup> *Id.* at 4 (quoting 37 C.F.R. § 42.65(a)).

<sup>30</sup> *Id.* at 5 (citing *K/S Himpp v. Hear-Wear Techs., LLC*, 751 F.3d 1362, 1365 (Fed. Cir. 2014)).

<sup>31</sup> *Id.* at 7.

<sup>32</sup> *Id.* at 7.

**c. Discretionary denial of institution.**

- i. The TPG emphasizes the “non-exclusive” factors set forth in the *General Plastic* case for PTAB’s exercise of discretion in denying follow-on petitions under Section 314(a), including “events in other proceedings related to the same patent.”<sup>33</sup>
- ii. The TPG also emphasizes the “non-exclusive” factors set forth in the *Becton Dickinson* case<sup>34</sup> for discretionary denial under Section 325(d) to avoid duplicative challenges previously presented during examination, reexamination, reissue, or an earlier-filed petition.

**d. Replies and sur-replies.**

- i. Patent Owner sur-replies to petitioner replies, and petitioner sur-replies to patent owner replies on a motion to amend claims, “normally will be authorized by the scheduling order entered at institution.”<sup>35</sup> This is a significant change that replaces the earlier practice of filing observations on cross-examination of a reply expert, and it will benefit patent owners to have the last word (and petitioners on motions to amend claims). No new evidence may accompany sur-replies other than cross-examination deposition transcripts of any reply witness.
- ii. In response to the Supreme Court’s SAS decision (discussed below), a petitioner’s reply and patent owner’s sur-reply may “address issues discussed in the institution decision.”<sup>36</sup> For example, post-SAS, an institution decision may explain why certain grounds of unpatentability satisfy the reasonable likelihood standard of Section 314(a) while others do not.<sup>37</sup> In this circumstance, a petitioner might well decide to “address” PTAB’s analysis of those grounds that fall short, and patent owner will be permitted to respond in a sur-reply. Patent Owners should consider whether to comment at all on

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<sup>33</sup> *Id.* at 10 (citing *NetApp, Inc. v. Realtime Data LLC*, IPR2017-01195, Paper 9 (PTAB Oct. 12, 2017)).

<sup>34</sup> *Id.* at 12 (citing *Becton, Dickinson & Co. v. B. Braun Melsungen AG*, IPR2017-01586, Paper 8 (PTAB Dec. 15, 2017) (Informative)).

<sup>35</sup> *Id.* at 14.

<sup>36</sup> *Id.*

<sup>37</sup> *See, e.g., Nanya Tech. v. Lone Star Silicon*, IPR2018-00062, Paper 7 (PTAB April 25, 2018) (Instituting review of all claims/grounds but stating: “[W]e are not persuaded that Petitioner has demonstrated a reasonable likelihood of prevailing on its contention that claims 2 and 7 are unpatentable as obvious.”); *see also KVK-Tech v. Shire PLC*, IPR2018-00290, Paper 15 (PTAB July 6, 2018) (Instituting review on all claims/grounds but stating: “On this record, we determine that Petitioner has not established a reasonable likelihood that it would prevail in showing that claims 1–21 and 31 are anticipated by Burnside.”).

such weak grounds in their response, saving further commentary for the sur-reply.

- iii. It is not entirely clear where PTAB will draw the line between a petitioner's submission of impermissible "new evidence or argument in reply that it could have presented earlier, e.g. to make out a prima facie case of unpatentability," and permissible "directly responsive rebuttal evidence,"<sup>38</sup> particularly where a petitioner replies to PTAB institution statements essentially rejecting a ground of unpatentability. The TPG clarifies that new theories of unpatentability, new rationale to combine references, or newly cited references designed to "gap-fill" by teaching a missing claim element will not be permitted. Suffice to say there will be plenty of motion practice surrounding reply evidence under the new procedure.

**e. Motions to exclude and motions to strike.**

- i. Motions to exclude preserve objections to the admissibility of evidence for appeal. They are not a vehicle to address the weight of the evidence or to argue that a reply or sur-reply exceeds the proper scope.<sup>39</sup>
- ii. The TPG contemplates limited circumstances where contested evidence is "so central to the parties' dispute" that they may request early resolution of a motion to exclude at a pre-hearing conference.<sup>40</sup>
- iii. The TPG makes clear that motions to strike arguments or evidence are "an exceptional remedy that the Board expects will be granted rarely," such as when new arguments or late-filed evidence should be disregarded in their entirety.<sup>41</sup> In such circumstances, authorization to file a motion to strike should be requested within one week of the allegedly improper submission.
- iv. As a practical matter, in the absence of a jury, PTAB panels do not often grant motions to exclude or motions to strike, preferring to exercise their authority to moot motions to exclude by not considering allegedly inadmissible evidence or "disregarding any new issues or belatedly presented evidence."<sup>42</sup>

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<sup>38</sup> TPG at 14 (citing *Belden Inc. v. Berk-Tek LLC*, 805 F.3d 1064, 1077-78 (Fed. Cir. 2015)).

<sup>39</sup> *Id.* at 16.

<sup>40</sup> *Id.* at 17.

<sup>41</sup> *Id.* at 17-18.

<sup>42</sup> *Id.* at 17.

**f. Oral hearing and demonstrative exhibits.**

- i. One hour of argument per side is the norm. Petitioners cannot reserve more than one-half of their time for rebuttal, and patent owners can now request a “brief sur-rebuttal.”<sup>43</sup> The limit on petitioners’ rebuttal time is consistent with petitioners’ burden of persuasion and effectively prohibits petitioners from avoiding presentation of their affirmative case.
- ii. Either party may request a pre-hearing conference to address motions to strike or exclude evidence, consider objections to demonstrative exhibits, or “preview” the issues to be addressed at oral hearing.<sup>44</sup> PTAB judges prefer to receive a joint request from the parties listing the issues for discussion at the pre-hearing conference. PTAB judges typically prepare a list of their own questions for counsel in advance of the oral hearing.
- iii. At oral hearing it is most important to have a conversation and answer the judges’ questions.
- iv. “Elaborate demonstratives are more likely to impede than help oral argument.”<sup>45</sup> Less is more. 20-30 demonstrative slides are sufficient for the large majority of cases and easier for the judges to digest.
- v. Effective uses of demonstratives include annotated patent and prior art figures, highlighted expert testimony tied to claim limitations/prior art, and claim language compared to prior art disclosures.
- vi. Live testimony at oral hearing may be requested, but parties rarely make such requests and PTAB does not encourage live testimony. Only if a credibility determination of a witness is critical to the case, such as when a patent owner attempts to antedate a reference by establishing a prior reduction to practice, will live testimony be granted.<sup>46</sup> Be careful what you ask for, the judges may also question the witness.

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<sup>43</sup> *Id.* at 20.

<sup>44</sup> *Id.* at 19-20.

<sup>45</sup> *Id.* at 21.

<sup>46</sup> *Id.* at 21.



## Supreme Court and Federal Circuit Cases Limit PTAB Discretion and Expand Reviewability

2018 was a watershed year for PTAB in the courts. The Supreme Court weighed in decisively to uphold the constitutionality of PTAB post grant proceedings and cabin PTAB's discretion under the AIA statutory scheme. The Federal Circuit, for its part, asserted the authority to review a broader swath of PTAB decisions. These decisions impact everything from institution practice, collateral estoppel, litigation stays, claim amendments, PTAB real party in interest and time-bar decisions, public accessibility determinations, and standing to appeal. The repercussions will be felt in 2019 and beyond.

### **1. PTAB IPR Proceedings are Constitutional**

IPRs are here to stay. So ruled the Supreme Court in *Oil States Energy Services v. Greene's Energy Group*,<sup>47</sup> where the Supreme Court held that IPRs do not violate Article III or the Seventh Amendment of the Constitution. Justice Thomas delivered the opinion for a 7-2 majority in a ringing endorsement of Congressional power to subject the government's grant of a patent—"a public franchise"—to reconsideration by PTAB in an IPR proceeding. The decision, however, settles only the Article III and Seventh Amendment constitutional challenges to IPRs.

In brief, The Supreme Court concluded that *inter partes* review "falls squarely within the public-rights doctrine" and, therefore, does not violate Article III.<sup>48</sup> In reaching this decision, the Court first concluded that the initial grant of a patent involves a public right because the issuance of a patent involves bestowing on the patentee exclusive rights to the invention that would otherwise be free to the public.<sup>49</sup> Because patents are "public franchises" created by federal statute, which did not exist at common law, and because the Constitution specifically authorizes Congress to establish a patent system, the Court concluded that the initial grant of a patent involves a "public right."<sup>50</sup>

Having established that the initial grant of a patent implicates a public right, the Court concluded that IPR proceedings involve the same public right. Because IPR involves the question of whether "exist[ing] knowledge" has been removed impermissibly "from the public domain," the Court explained, IPR "involves the same interests as the determination to grant a patent in the first instance."<sup>51</sup> The Court found no meaningful distinction between the initial examination (which occurs before the patent issues) and IPR proceedings (which occur post-issuance).

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<sup>47</sup> *Oil States Energy Servs., LLC. v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365 (2018).

<sup>48</sup> *Id.* at 1373.

<sup>49</sup> *Id.* at 1373-74.

<sup>50</sup> *Id.*

<sup>51</sup> *Id.* at 1374 (citations omitted).

Section III E of the opinion “emphasize[s] the narrowness” of the Court’s holding while underscoring questions that remain unanswered, such as: (i) whether patent infringement actions “can be heard in a non-Article III forum;” (ii) whether “retroactive application of [IPR]” to patents granted before enactment of the AIA is appropriate; or (iii) whether Oil States might have raised “a due process challenge.”<sup>52</sup> Even more intriguing is the Court’s statement that its “decision should not be misconstrued as suggesting” that patents are not the property rights of patent owners under “the Due Process Clause or the Takings Clause” of the Fifth Amendment, an apparent nod to Justice Gorsuch’s dissent and pointed warnings against the “retreat from the promise of judicial independence” and the dangers of potential political interference in the IPR process. Section III E reads as an invitation for future petitions. Indeed, patent owners have made the argument to the Federal Circuit that retroactive application of post grant review to patent claims issued before enactment of the AIA violates due process. In 2019, the Federal Circuit will have to decide the retroactivity issue.<sup>53</sup>

## **2. “A Binary Choice” – Shockwaves and Implications of *SAS Institute v. Iancu***

The Court’s companion decision in *SAS Institute v. Iancu*<sup>54</sup> is a sharp indicator of the Court’s willingness to police PTAB procedure during these formative years of IPR and related post-grant proceeding practice. In *SAS Institute*, the Supreme Court reversed PTAB’s long-standing partial institution practice, i.e., instituting trial only on a subset of challenged claims for which a petitioner has shown a reasonable likelihood of prevailing, rather than instituting trial on all challenged claims if at least one claim was reasonably likely to be unpatentable. The Court determined that the Director’s institution decision requires “a binary choice—either institute review or don’t.”<sup>55</sup> The shockwaves of *SAS Institute* continue to reverberate.

The Court held that PTAB’s final written decision under Section 318(a) “*must address every claim the petitioner has challenged.*”<sup>56</sup> The Court emphasized the mandatory nature of the statutory language, and, by analogizing IPR proceedings to civil litigation where a petitioner is “master of its complaint,” the Court concluded that PTAB’s final decision had to address the patentability of all 16

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<sup>52</sup> *Id.* at 1379.

<sup>53</sup> The retroactivity issue has been raised at the Federal Circuit in several appeals from unpatentability determinations by the Board. *See, e.g. Genentech, Inc. v. Hospira, Inc.*, Appeal Nos. 18-1933 and 18-1959; *AbbVie Biotechnology, Ltd. v. Coherus BioSciences Inc.*, Appeal Nos. 17-2304, -2305, -2306, -2362, -2363. The Federal Circuit recently declined to address VirnetX’s argument that IPRs could not be retroactively applied to patents filed before enactment of the AIA, because VirnetX failed to preserve that issue for appeal. *See VirnetX Inc. v. Apple, Inc.*, 2018 U.S. App. LEXIS 34602, \*6-7 (Fed. Cir. 2018).

<sup>54</sup> *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348 (2018).

<sup>55</sup> *Id.* at 1355.

<sup>56</sup> *Id.* at 1354 (interpreting 35 U.S.C. § 318(a)).

claims challenged by petitioner SAS Institute.<sup>57</sup> Assessing the Director’s role at the institution stage yielded the following analysis:

“Section 314(a) . . . simply requires [the Director] to decide whether the petitioner is likely to succeed on ‘at least 1’ claim. Once that single claim threshold is satisfied, it doesn’t matter whether the petitioner is likely to prevail on any additional claims; *the Director need not even consider any other claim before instituting review*. Rather than contemplate claim-by-claim institution, then, the language anticipates a regime where a reasonable prospect of success on a single claim justifies review of all.”<sup>58</sup>

The Court’s statutory analysis led to the “binary choice” ultimatum of a thumbs-up or thumbs-down institution decision for all claims challenged in a petition. PTAB promptly issued a written statement titled “[Guidance on the Impact of SAS on AIA Trial Proceedings](#)” which provides the following: PTAB interprets *SAS Institute* as requiring PTAB to “institute as to all claims or none;” PTAB will either deny institution or “institute trial on all challenges raised in the petition;” and, if a currently pending trial was instituted “only on some of the challenges raised in the petition,” PTAB “may issue an order supplementing the institution decision to institute on all challenges raised in the petition.”

### **Takeaways:**

The Court’s opinion directly impacts the collateral estoppel effect of PTAB’s final written decisions and a district court’s assessment of whether to grant a litigation stay.<sup>59</sup> No more partial institution means no more partial estoppel.<sup>60</sup> More significantly, the *SAS Institute* decision has triggered renewed interest in the “reasonably could have raised” prong of estoppel under Section 315(e).<sup>61</sup>

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<sup>57</sup> *Id.* at 1355.

<sup>58</sup> *Id.* at 1356 (emphasis added).

<sup>59</sup> See, e.g., *Wi-LAN, Inc. v. LG Elecs., Inc.*, 2018 U.S. Dist. LEXIS 88516 at \*5 (S.D. Cal. 2018) (“[I]n light of the Supreme Court’s mandate to review all contested claims . . . the Court finds this factor weighs in favor of a limited stay of proceedings until the PTO issues its [IPR] decisions.”); *Nichia Corp. v. Visio, Inc.*, 2018 U.S. Dist. LEXIS 149591 at \*7 (C.D. Cal. 2018) (citing *SAS Inst.* at 1359) (“[W]ith the PTAB taking the new all-or-nothing approach to institution decisions, there’s no concern about the PTAB picking and choosing certain claims or certain invalidity grounds.”).

<sup>60</sup> See *Shaw Indus. Grp. v. Automated Creel Sys.*, 817 F.3d 1293, 1300 (Fed. Cir. 2016).

<sup>61</sup> See 35 U.S.C. § 315(e) (Petitioner is estopped from raising “any ground that the petitioner raised or reasonably could have raised during that inter partes review.”); see also *SyOnix, LLC v. Hamamatsu Photonics K.K.*, 330 F.Supp.3d 574, 601 (D. Mass. 2018) (“‘[R]easonably could have raised’ is meant to include any patent or printed publication that a petitioner actually knew about or that ‘a skilled searcher conducting a diligent search reasonably could have been expected to discover.’”) (citing 157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl)); *Parallel Networks Licensing, LLC v. IBM*, 2017 WL 1045912, \*11-12 (D. Del. 2017); *Clearlamp, LLC v. LKQ Corp.*, 2016 WL 4734389, at \*7-8 (N.D. Ill. 2016)).

PTAB is now more limited in using institution decisions as a mechanism to narrow the issues in dispute and focus the parties' discovery.<sup>62</sup> Therefore, at least some institution decisions may become more concise and less informative.<sup>63</sup>

Petitioners will need to consider carefully which grounds to include in a petition,<sup>64</sup> particularly in view of how the estoppel rules of 35 U.S.C. §§ 315(e) and 325(e) have been applied by the district courts. Multiple petitions may also be appropriate.

Patent Owners will need to consider the value of responding to all challenges raised in a petition, particularly in view of PTAB's word-count limits for petitions and responses.

For currently pending, partial institution PTAB trials, a Patent Owner should consider whether to respond at all to newly instituted grounds that were originally rejected by PTAB. A response may open the door to reply argument and new evidence being admitted by Petitioner. A conference call with the panel may be advisable to obtain further guidance.

### **3. Section 315(b) Time Bar Determinations**

*Wi-Fi One, LLC v. Broadcom Corp.*, 878 F.3d 1364 (Fed. Cir. 2018) (en banc).

- a. A divided en banc Federal Circuit held that PTAB time-bar determinations under 35 U.S.C. § 315(b) are appealable.
- b. *Wi-Fi One* overrules *Achates Reference Publ'g, Inc. v. Apple Inc.*, 803 F.3d 652, 658 (Fed. Cir. 2015) (time-bar determinations are not appealable pursuant to 35 U.S.C. § 314(d)).
- c. The evident tension among Federal Circuit judges concerns the scope of exceptions to the prohibition against judicial review of PTAB institution decisions under § 314(d), as articulated in *Cuozzo v. Lee*, 136 S. Ct. 2131 (2016). For example: Is the time bar of Section 315(b) a "statutory limit" on PTAB's authority, such that time-bar determinations are subject to judicial review? Was PTAB's determination –

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<sup>62</sup> See, e.g., *Nanya Tech. Corp. v. Lone Star Silicon Innovations, LLC*, IPR2018-00062, Paper 7 (PTAB April 25, 2018) (Instituting review of all claims and grounds but stating: "[W]e are not persuaded that Petitioner has demonstrated a reasonable likelihood of prevailing on its contention that claims 2 and 7 are unpatentable as obvious."); *KVK-Tech v. Shire PLC*, IPR2018-00290, Paper 15 (July 6, 2018) (Instituting review on all claims and grounds but stating: "On this record, we determine that Petitioner has not established a reasonable likelihood that it would prevail in showing that claims 1–21 and 31 are anticipated by Burnside.").

<sup>63</sup> See *Alcatel-Lucent USA, et al. v. Oyster Optics, LLC*, IPR2018-00070, Paper 14 (PTAB May 10, 2018), Paper 27 (rehearing denied Aug. 31, 2018).

<sup>64</sup> For example, the Federal Circuit recently reversed a PTAB decision for using an unduly narrow interpretation of public accessibility in assessing the petitioner's burden of establishing a catalogue displayed at a private dealer show as a prior art printed publication. See *GoPro, Inc. v. Contour IP Holding LLC*, 908 F.3d 690, 693 (Fed. Cir. 2018).

that a time-barred non-party was not a real party in interest (RPI) or privy of Petitioner – “closely related” to PTAB’s institution decision so as to insulate it from judicial review?

- d. Judge Reyna’s majority decision: there is “no clear and convincing indication ... [of] Congress’s intent to bar judicial review of § 315(b) time-bar determinations.”
- e. Judge O’Malley’s concurrence: PTAB time-bar decisions should be reviewed “to give effect to the ... statutory limitations on the PTO’s authority to institute IPRs.”
- f. Judge Hughes’ dissent: “the history of the AIA dispels any doubt that § 314(d) bars judicial review of issues like timeliness and the identity of real parties in interest.”

**Takeaways:**

The underlying problem in *Wi-Fi One* was PTAB’s refusal to grant patent owner discovery of indemnity, joint defense, and payment agreements that might have established control over the *inter partes* review proceeding by a time-barred RPI or privy of Petitioner. Subsequent cases (discussed below) have shown the importance of early discovery on issues of whether a time-barred non-party is a RPI or privy of petitioner. Patent Owners need to request RPI/privy discovery from Petitioners *before* (and possibly after) an institution decision.

If instituted, patent owners should consider raising the time-bar defense in their response and appealing the issue if PTAB rejects the defense.

Petitioners should consider a *mandamus* petition if PTAB denies institution based on a time-barred RPI or privy relationship. This issue has not yet been addressed at the Federal Circuit.

*Click-to-Call Techs., LP v. Ingenio, Inc.*, 899 F.3d 1321, FN3 (Fed. Cir. 2018) (en banc).

- a. 35 U.S.C. § 315(b) provides that an IPR “may not be instituted if the petition requesting the proceeding is filed more than one year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent.” PTAB’s position is that voluntary dismissal of a complaint *without prejudice* leaves the parties as though the action had never been brought, thereby nullifying the time-bar effect of a complaint served more than one year before a petition is filed.<sup>65</sup>

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<sup>65</sup> *Oracle Corp. v. Click-to-Call Techs., LP*, IPR2013-00312, Paper 26 (PTAB Oct. 30, 2013) (Precedential as to § III.A.).

- b. The Federal Circuit sat en banc to hold in footnote 3 “that § 315(b)’s time bar applies in such a scenario.”<sup>66</sup>
- c. Relying heavily on portions of the en banc *Wi-Fi One* decision, the rationale of Judge O’Malley’s majority (10-2) decision may be encapsulated in her statutory construction of Section 315(b) and her conclusion that “§315(b)’s time bar is implicated once a party receives notice through official delivery of a complaint in a civil action, *irrespective of subsequent events*.”<sup>67</sup> PTAB’s decision was vacated and remanded with instructions to dismiss, but a petition for certiorari may be filed.
- d. Judges Dyk and Lourie dissented, agreeing with PTAB’s rationale.<sup>68</sup>

**Takeaways:**

As of this writing, appellant was granted extensions of time but has not filed a petition for certiorari with the Supreme Court.

This is a significant change in PTAB practice, and petitioners should take note in 2019.

*Applications in Internet Time, LLC v. RPX Corp.*, 897 F.3d 1336 (Fed. Cir. 2018)

- a. Applications in Internet Time (“AIT”) sued Salesforce for patent infringement, Salesforce filed CBM petitions, and PTAB denied institution. Salesforce was an RPX client. RPX subsequently filed IPRs against the AIT patents, more than 1 year after Salesforce had been served with the patent infringement complaint, and RPX identified itself as the sole real party in interest.
- b. AIT argued that RPX was a “proxy” for Salesforce; thus RPX’s petitions were time-barred. PTAB instituted trial and found all challenged claims unpatentable. PTAB held that Salesforce was not a real party in interest. There is no bright line test for real party in interest determinations, and considerations include controlling, funding, or directing the proceeding. PTAB did not address the issue of whether RPX was acting as a “privy” for Salesforce.
- c. The Federal Circuit reversed and remanded, adopting the statutorily mandated “expansive formulation” for determining real parties in interest and privies of petitioners under the Section 315(b) time-bar provision.<sup>69</sup> “Determining whether a

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<sup>66</sup> 899 F.3d at 1328 n. 3.

<sup>67</sup> *Id.* at 1330 (emphasis added).

<sup>68</sup> *Id.* at 1350.

<sup>69</sup> 897 F.3d at 1351.

non-party is a ‘real party in interest’ demands a *flexible approach* that takes into account both equitable and practical considerations, with an eye toward determining whether the non-party is a *clear beneficiary* that has a *preexisting, established relationship* with the petitioner.”<sup>70</sup>

d. The Federal Circuit summed up:

In sum, . . . the Board’s determination that Salesforce was not a real party in interest under § 315(b) relied on an impermissibly narrow understanding of the common-law meaning of the term, was not based on consideration of the entirety of the administrative record, and seemingly misallocated the burden of proof.<sup>71</sup>

e. AIT repeatedly urged that RPX was a “proxy” for Salesforce and raised arguments resting on theories relating to whether RPX acted as a privy of Salesforce. On remand, the Federal Circuit instructed the Board to address the issue of privy and other theories that focused on the actual relationship between Salesforce and RPX.

**Takeaways:**

The Federal Circuit’s expansive formulation for determining real party in interest status – whether the non-party is a clear beneficiary that has a preexisting, established relationship with the petitioner – also applies to whether a party is a privy of petitioner.

Traditionally, the concept of “privy” is even broader than that of a real party in interest.

En banc review was denied, and PTAB has ordered additional discovery that is pending.

*Ventex Co., Ltd. v. Columbia Sportswear N. Am., Inc.*, IPR2017-00651, Papers 67, 68, 73, 78, 93 (PTAB Aug. - Nov. 2018)

The *AIT v. RPX* decision issued two days before the 12-month final written decision deadline in *Ventex*, and PTAB extended the deadline to permit real party in interest discovery. The panel ordered petitioner to provide document discovery and interrogatory responses regarding supplier communications with petitioner Ventex, and subsequently ordered deposition testimony based on the documents produced.

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<sup>70</sup> *Id.* (emphasis added).

<sup>71</sup> *Id.* at 1356.

### **Takeaways:**

Patent Owners need a “hook” to pursue focused real party in interest discovery. The “hook” for Columbia was the identification of petitioner’s supplier agreement, which was initially withheld but later produced.

PTAB ordered limited district court type document production, interrogatory responses, and multiple depositions. This is very unusual but was justified here due to petitioner’s conduct.

Patent Owners should focus discovery requests on communications between petitioners and unnamed parties, e.g., closely related corporations, suppliers, indemnitors, and industry group members. Petitioners choose your declarants and deponents wisely.

#### **4. Petitioner’s Standing to Appeal an Adverse PTAB Decision – Certiorari Petitions**

*JTEKT Corp. v. GKN Auto. Ltd.*, 898 F.3d 1217 (Fed. Cir. 2018), *petition for cert. filed* Dec. 7, 2018 (No. 18-750).

*RPX Corp. v. ChanBond LLC*, No. CAFC-17-2346 (Fed. Cir. Jan. 17, 2018), *petition for cert. filed* June 28, 2018 (No. 17-1686).

- a. Both of these Supreme Court certiorari petitions raise important issues of standing when a petitioner appeals an adverse PTAB decision to the Federal Circuit.
- b. *JTEKT* involves a petitioner that competes with patent owner in the marketplace for automotive components. Petitioner is developing a four-wheel drivetrain product that is not yet finalized but is “similar enough” to the patented features to warrant filing an IPR.<sup>72</sup> PTAB instituted review and, after several claims were cancelled by patent owner, found two of four remaining claims not unpatentable. Petitioner appealed and patent owner opposed, arguing that petitioner lacked Article III standing to appeal the PTAB decision.
- c. The Federal Circuit dismissed the appeal for lack of standing. The court acknowledged that petitioners “need not concede infringement to establish standing to appeal” (citing *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 134 (2007)) but found petitioner’s product was not sufficiently developed to create “a concrete and substantial risk of infringement.”<sup>73</sup> The Federal Circuit’s decision is generally consistent with earlier decisions, although a biotechnology case raising the same

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<sup>72</sup> *JTEKT Corp. v. GKN Automotive Ltd.*, 898 F.3d 1217, 1221 (Fed. Cir. 2018).

<sup>73</sup> *Id.* at 1221.



issue in the context of a biosimilar product under development has been *sub judice* for more than a year following oral argument.<sup>74</sup>

- d. *RPX* involves a petitioner not in competition with patent owner but who challenges patents in IPR proceedings as part of its business model.<sup>75</sup> The Federal Circuit granted patent owner’s motion to dismiss the appeal for lack of standing, finding that the estoppel provision of Section 315(e)(1) “did not constitute an injury in fact when the appellant ‘is not engaged in any activity that would give rise to a possible infringement suit.’”<sup>76</sup>
- e. The question presented in the Supreme Court certiorari petitions is whether the statutory provisions providing for (i) a right to compel cancellation of invalid claims (35 U.S.C. § 318), (ii) a right to appeal an adverse PTAB ruling (35 U.S.C. §§ 319, 141), and (iii) petitioner estoppel after an adverse ruling (35 U.S.C. § 315(e)) satisfy the Article III standing requirement for an injury in fact sufficient to support a petitioner’s appeal to the Federal Circuit.

#### **Takeaways:**

The Federal Circuit decision in *JTEKT* must be reconciled with their later decision in *E.I. DuPont de Nemours & Co. v. Synvina C.V.*<sup>77</sup> on the issue of patent infringement-based injury in fact. The court in *DuPont* emphasized that petitioner DuPont “currently operates a plant capable of infringing the ’921 patent,” and that patent owner refused to grant DuPont a covenant not to sue, to support its finding that DuPont had standing to appeal.<sup>78</sup> The petitioner in *JTEKT* is engaged in significant development activity that could lead to a patent infringement suit, but *JTEKT*’s product development is not yet finalized, which the court found insufficient to establish an imminent risk of patent infringement. *JTEKT* presents a close call, with similar facts to those in the *Momenta* case (see note 74), and the noted factual differences from *DuPont* are important in determining whether a sufficient injury in fact has been shown by a petitioner

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<sup>74</sup> *Momenta Pharms., Inc. v. Bristol Myers Squibb Co.*, No. CAFC-17-1694 (Fed. Cir. argued Dec. 5, 2017).

<sup>75</sup> *RPX Corp. v. ChanBond LLC*, No. CAFC-17-2346 (Fed. Cir. Jan. 17, 2018), *petition for cert. filed* June 28, 2018 (No. 17-1686).

<sup>76</sup> *Id.* at 4-5 (citing *Phigenix, Inc. v. Immunogen, Inc.*, 845 F.3d 1168, 1175-76 (Fed. Cir. 2017)).

<sup>77</sup> 904 F.3d 996 (Fed. Cir. 2018).

<sup>78</sup> *Id.* at 1004-05.

potentially at risk of patent infringement.<sup>79</sup> The Supreme Court’s reasoning in *MedImmune* in the declaratory judgment context will be put to the test here if the Court grants JTEKT’s certiorari petition.

Both the *JTEKT* and *RPX* petitions take the Federal Circuit to task for limiting the standing analysis to patent infringement-based injuries in fact. Petitioners push hard the principle that Congress has the constitutional power to provide standing via statutory grant of rights, the violation of which constitute injuries in fact sufficient to confer Article III standing.<sup>80</sup> The argument is that Congress granted IPR petitioners the statutory right to compel cancellation of invalid claims (35 U.S.C. § 318) and to appeal an adverse PTAB decision (35 U.S.C. §§ 319, 141), and Congress collaterally estopped petitioners from further pursuing failed patent challenges (35 U.S.C. § 315(e)). Therefore, so the argument goes, Congress created new private rights for petitioners, the invasion of which constitute concrete and particularized injuries in fact sufficient to confer standing to appeal an adverse PTAB final decision.

In *RPX*, the Court invited the Solicitor General to provide the views of the United States, but the brief had not been filed as of this writing. Suffice to say the Solicitor General’s brief will weigh heavily in the Court’s decision on whether to grant certiorari.

## **5. Rejection of Assignor Estoppel and Tribal Sovereign Immunity at the PTAB**

*Arista Networks, Inc. v. Cisco Systems, Inc.*, 908 F.3d 792 (Fed. Cir. 2018)

- a. In *Arista*, the named inventor assigned all right, title, and interest in the invention to his employer, Cisco Systems. The inventor later left Cisco to found a new company that competes with Cisco.
- b. The Federal Circuit first applied the en banc decision in *Wi-Fi One* to conclude that “like the time-bar in § 315(b), the issue of whether § 311(a) contemplates application of assignor estoppel is reviewable.”<sup>81</sup> *Arista* is one of the first Federal Circuit decisions to follow *Wi-Fi One*, and it represents a prime example of how the Federal Circuit continues to expand its reviewability of, and control over, the PTAB. The two specific exceptions to the Federal Circuit’s power of review fall under 35 U.S.C. § 314(a): (i) preliminary patentability assessments in an institution decision, and (ii)

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<sup>79</sup> See also *Altaire Pharms., Inc. v. Paragon Biotech, Inc.*, 889 F.3d 1274, 1283 (Fed. Cir. 2018) (“Altaire’s injury is imminent, whereas *Consumer Watchdog* ‘only alleged a general grievance concerning’ the challenged patent, [] and the appellant in *Phigenix* only alleged its aspirations of licensing its patent portfolio.”).

<sup>80</sup> See *Spokeo, Inc. v. Robins*, 136 S. Ct. 1540 (2016); *Lujan v. Defs. Of Wildlife*, 504 U.S. 555 (1992).

<sup>81</sup> *Arista*, 908 F.3d at 801.

the “Director’s discretion not to initiate an IPR even if the threshold ‘reasonable likelihood’ is present.”<sup>82</sup>

- c. The Federal Circuit analyzed Section 311(a), which provides that “a person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent.”<sup>83</sup> The court held that the plain language of the statute unambiguously “demonstrates that an assignor, who is no longer the owner of a patent, may file an IPR petition as to that patent.”<sup>84</sup> Section 311(a), according to the panel, left no room for assignor estoppel in IPR proceedings.

*Saint Regis Mohawk Tribe v. Mylan Pharms. Inc.*, 896 F.3d 1322 (Fed. Cir. 2018)

- a. In the *Saint Regis Mohawk Tribe* case, Mylan Pharmaceuticals petitioned for IPR of various patents owned by Allergan, Inc., relating to its dry eye treatment Restasis. Allergan transferred title of the patents to the Saint Regis Mohawk Tribe during the pendency of the IPR proceedings, and the Tribe asserted sovereign immunity. The Board denied the Tribe’s motion to terminate on the basis of sovereign immunity and Allergan’s motion to withdraw from the proceedings. Allergan and the Tribe appealed, arguing the Board improperly denied these motions.
- b. The Federal Circuit held that “tribal sovereign immunity cannot be asserted in IPRs.”<sup>85</sup>
- c. In determining whether an IPR was more like (i) a contested adjudicatory proceeding between private parties, where tribal sovereign immunity would apply, or (ii) an agency proceeding involving USPTO reconsideration of the public patent grant, where immunity would not apply, the Federal Circuit synthesized the “tension” on this point in the Supreme Court’s *Oil States* and *SAS Institute* decisions.<sup>86</sup>
- d. The Federal Circuit identified three reasons for determining that an IPR is more like an agency enforcement action than a civil suit brought by a private party. First, the Director “possesses broad discretion in deciding whether to institute review.”<sup>87</sup> Second, the PTAB may choose to continue an IPR proceeding even in the absence of

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<sup>82</sup> *Id.* at 800-801.

<sup>83</sup> *Id.* at 803.

<sup>84</sup> *Id.*

<sup>85</sup> *Saint Regis Mohawk Tribe*, 896 F.3d at 1326.

<sup>86</sup> *Id.*

<sup>87</sup> *Id.* at 1327.

petitioner or patent owner participation.<sup>88</sup> Third, IPR procedures “do not mirror the Federal Rules of Civil Procedure.”<sup>89</sup>

- e. The Federal Circuit denied rehearing and rehearing en banc. Although the Tribe has stated that it intends to seek Supreme Court review, the outlook for revival of tribal sovereign immunity in IPR proceedings looks dim.

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<sup>88</sup> *Id.* at 1328.

<sup>89</sup> *Id.*