

Client Alert

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Recent Changes at the PTAB Appear to Benefit Patent Owners

Since the America Invents Act created new post-grant review proceedings, such as inter partes reviews (IPRs), the Patent Trial and Appeal Board (PTAB) has been viewed as a reliable venue for invalidating patents. To date, the institution rate for IPRs is approximately 67 percent, and the PTAB has invalidated at least one claim in 80 percent of instituted IPRs.¹ In IPRs where the patent owner has sought claim amendments, the PTAB has denied 90 percent of motions to amend.²

Against this petitioner-friendly background, the Supreme Court, the Federal Circuit, and the United States Patent and Trademark Office (USPTO) have recently issued decisions or rules that should weigh in favor of patent owners.

This article considers those changes.

One Bite at the Apple

A recurring criticism of IPRs by patent owners has been the potential for multiple validity attacks and the need to defend the patent in different forums with different claim construction standards. Several of the recent developments address these concerns and may serve to limit multiple challenges and provide more uniform standards in the PTAB and other litigation forums, such as district courts and the ITC.

1. The All-or-Nothing Approach

For the first five years of IPR practice, the PTAB routinely instituted IPRs for some, but not all, of the claims challenged in an IPR petition. While the AIA includes estoppel provisions relating to IPRs, the Federal Circuit has limited the estoppel to only those grounds decided in the PTAB's final written decision. The net result has permitted petitioners to later attack validity, in district courts or the ITC, for those claims for which IPR was not instituted.³

The days of partial institutions are over. In its *SAS Institute v. Iancu* decision, the Supreme Court determined that institution of an IPR must include a review of all claims challenged in the petition along with a final written decision addressing all such claims.⁴ Thus, since all challenged claims will be subject to an instituted IPR review, the estoppel provisions should extend to all challenged claims and limit the ability of the petitioner to later attack validity on other prior art grounds.

¹ Trial Statistics IPR, PGR, CBM, Patent Trial and Appeal Board September 2018, *available at* https://www.uspto.gov/sites/default/files/documents/trial_statistics_20180930a.pdf, pp. 7, 11.

² Patent and Trial Appeal Board Motion to Amend Study, Installment 4: Updated through July 2018, *available at* <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/motions-amend-study>, p. 7.

³ *Shaw Indus. Group, Inc. v. Automated Creel Systems, Inc.*, 817 F.3d 1293 (Fed. Cir. 2016).

⁴ *SAS Institute v. Iancu*, 138 S.Ct. 1348 (2018).

2. The *Phillips* Claim Construction Standard

Patent owners have often criticized the use of different claim construction standards in IPRs than in district courts and the ITC. Until recently, the PTAB applied the “broadest reasonable interpretation” (BRI) claim construction standard—the same standard used during *ex parte* prosecution before the USPTO—to unexpired patents that could still be amended, and the *Phillips* claim construction standard to expired patents. District courts and the ITC, on the other hand, apply the *Phillips* standard in all cases. Under BRI, claim terms are given their broadest reasonable construction in light of the specification as it would be interpreted by one of ordinary skill in the art, and, under *Phillips*, claim terms are given the ordinary and customary meaning that they would have to a person of ordinary skill in the art at the time of the invention.

District courts and the ITC typically gave little deference to the PTAB, and vice versa, on issues of claim construction, ostensibly because different standards were being applied. As a result, the parties often relitigated claim construction issues in multiple venues. Moreover, the use of different claim construction standards opened the door for presenting different or inconsistent arguments in different venues. For example, a petitioner could argue for a broad construction of a claim term under the BRI standard in an effort to invalidate the claim at the PTAB, and argue for a more narrow construction under the *Phillips* standard in an effort to avoid infringement in district court or the ITC.

Seeking “greater uniformity and predictability,” the PTAB will now apply the *Phillips* claim construction standard and must consider (but not necessarily follow) any prior claim construction determination.⁵

While there are differences in the articulation of the BRI and *Phillips* standards, there appears to be little practical difference. The real impacts of the rule change may be indirect. For example, the more complex claim construction inquiry of *Phillips* may create more opportunities for appellants (usually patent owners) to have a construction reversed or remanded on appeal. The rule change may also raise the persuasiveness of the first claim construction on any later venue’s construction and the consistency of positions parties must take in different forums.

3. Real Party in Interest Issues

In an effort to limit duplicitous proceedings, the AIA includes a one-year time period for filing an IPR petition that begins when “the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging patent infringement.”⁶ Although the one-year bar broadly covers a range of parties, the ability to determine whether a petition was time-barred due to a real party in interest or privy being served with a complaint for patent infringement was curtailed by the limited discovery permitted in IPRs. Two recent Federal Circuit rulings addressing the real party in interest analysis put another arrow in the patent owner’s quiver for defeating IPR institution.

In one recent decision, the Federal Circuit held that the petitioner has the burden to show that the petition is not time-barred, rather than the patent owner having the burden to show that the petition is time-barred.⁷ The patent owner can raise the issue by presenting sufficient evidence to “reasonably bring[] into question” whether the real parties in interest identified in the IPR petition are correct;⁸ if the petitioner cannot meet its burden that the petition is not time-barred, the petition may properly be denied.

⁵ 83 Fed. Reg. 51342 (Oct. 11, 2018) (USPTO Changes to the Claim Construction Standard); 37 C.F.R. § 100 (2018); *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc).

⁶ 35 U.S.C. § 315(b).

⁷ *Worlds Inc. v. Bungie, Inc.*, 903 F.3d 1237 (Fed. Cir. 2018).

⁸ *Id.* at 1241-1242.

In another recent decision, the Federal Circuit described “real party in interest” as having its “expansive common-law meaning,” and that the analysis “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.”⁹ According to the Federal Circuit, the PTAB should have explored the relationship between the alleged real party in interest and the petitioner to determine whether the petitioner served as a “proxy” or “agent” when petitioning for review.¹⁰

4. Limiting Follow-on Petitions

There are numerous instances in which patent owners faced serial IPRs, for example, when the same petitioner files follow-on petitions or when different petitioners file petitions that rely on the same or similar prior art. Often, a later petition is filed after denial of an earlier petition, where the later petition uses the denial of the earlier petition as a roadmap. In August of 2018, the USPTO issued an update to the Trial Practice Guide that emphasized the PTAB’s discretion to deny these types of petitions.¹¹

For follow-on petitions, the PTAB should consider, for example, (i) whether the same petitioner previously challenged the same claims, (ii) whether the petitioner knew or should have known of the prior art presented in the second petition when it filed the first petition, and (iii) whether the petition already had the patent owner’s preliminary response from the first petition when it filed the second petition.¹²

For petitions having the same or similar prior art or arguments from a previous petition, the PTAB should consider, for example, (i) the similarities to the previously presented prior art, (ii) the extent to which the prior art was previously evaluated by the USPTO, and (iii) whether the petition has sufficiently explained how the USPTO erred in its previous analysis of the prior art.¹³ This approach stems from 35 U.S.C. § 325(d), which allows the PTAB to deny a petition that is based on the same or substantially the same prior art or arguments previously presented. Despite some complaints that the PTAB applies this rule inconsistently, the Supreme Court recently declined to review the PTAB’s application of § 325(d).¹⁴

Ease Burdens in Amendments

Other recent developments have responded to complaints by patent owners that it is too difficult to amend claims involved in IPRs.

1. The Petitioner’s Burden

Initially, the PTAB treated motions to amend like any other motion, in which the moving party bears the burden of proof to establish that it is entitled to the requested relief.¹⁵ Patent owners bore the ultimate burden of showing that any proposed amended claims are patentable.¹⁶

⁹ *Applications in Internet Time, LLC v. RPX Corp.*, 897 F.3d 1336, 1344–58 (Fed. Cir. 2018); cf. *Unified Patents, Inc. v. RealTime Adaptive Streaming, LLC*, IPR2018-00883, Paper 29 (PTAB Oct. 11, 2018) (stating that the RPI analysis is not merely about who benefits from the IPR petition, but requires ascertaining the nature of the relationship between the petitioner and any alleged privy or real party in interest to the petitioner).

¹⁰ *Id.*

¹¹ USPTO Trial Practice Guide Update (August 2018) (“Trial Guide Update”) at 11-13.

¹² Trial Guide Update at 9, based on *General Plastic Indus. Co. v. Canon Kabushiki Kaisha*, IPR2016-01357, Paper 19 (PTAB Sept. 6, 2017).

¹³ Trial Guide Update, based on *Becton, Dickinson & Co. v. B. Braun Melsungen AG*, IPR2017-01586, Paper 8 (PTAB Dec. 15, 2017).

¹⁴ *SSL Servs., LLC v. Cisco Sys., Inc.*, 721 F. App’x 987 (Fed. Cir. 2018), cert. denied, (U.S. Nov. 19, 2018).

¹⁵ 37 C.F.R. § 42.20.

¹⁶ *MasterImage 3D, Inc. v. RealD Inc.*, IPR2015-00040, Paper 42, at 4 (PTAB July 15, 2015).

That changed last year, when the Federal Circuit in *Aqua Products v. Matal* made explicit that the burden is not on the patent owner.¹⁷ As a result, the USPTO has said that new or amended claims will be granted, unless the petitioner can prove they are unpatentable.¹⁸

While this change may be to the benefit of patent owners, the grant rate for motions to amend remains quite low. Prior to the change, approximately 90 percent of motions to amend were denied, and, since the change, the denial rate reduced slightly to 84 percent.

2. Proposed Motion-to-Amend Procedures

An overhaul of the motion-to-amend procedure is underway.¹⁹ According to recent proposed rule changes, the patent owner would be permitted to propose substitute claims in response to an institution decision, the petitioner would have an opportunity to oppose, and the PTAB would issue a preliminary, nonbinding decision on patentability of the substitute claims. The parties could respond to the preliminary decision, including the patent owner having the right to revise its motion to amend.

These additional filings follow an aggressive schedule. For example, the proposed rules require filing of a motion to amend within six weeks of the institution decision, the filing of the petitioner's opposition within six weeks thereafter, and the issuance of the PTAB's preliminary decision within one month of the petitioner's opposition.

While the schedule may be rushed, the entire procedure is intended to improve the patent owner's opportunity to amend the claims.

Conclusions

IPRs have been a popular tool to challenge the validity of a patent, independent of or as an adjunct to district court or ITC proceedings. IPR practice has continued to evolve since its inception in 2013. As might be expected of any area of new legal procedure, many of the changes seek to strike a balance between providing an efficient alternative for analyzing invalidity issues and permitting a full and fair hearing of those issues without unduly burdening the parties or the USPTO. While some of the recent changes tend to favor patent owners, IPRs and other PTAB trial proceedings remain important components of an overall litigation strategy.

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¹⁷ *Aqua Products, Inc. v. Matal*, 872 F.3d 1290, 1327 (Fed. Cir. 2017).

¹⁸ November 21, 2017 USPTO Memorandum re Guidance on Motions to Amend in view of *Aqua Products* at 2; *Western Digital Corp. v. SPEX Techs.*, IPR2018-00082, Paper 13, at 4 (PTAB April 25, 2018) (designated as informative).

¹⁹ 83 Fed. Reg. 54319 (October 29, 2018) (USPTO Request for Comments on Motion to Amend Practice and Procedures in Trial Proceeding Under the AIA before the PTAB).