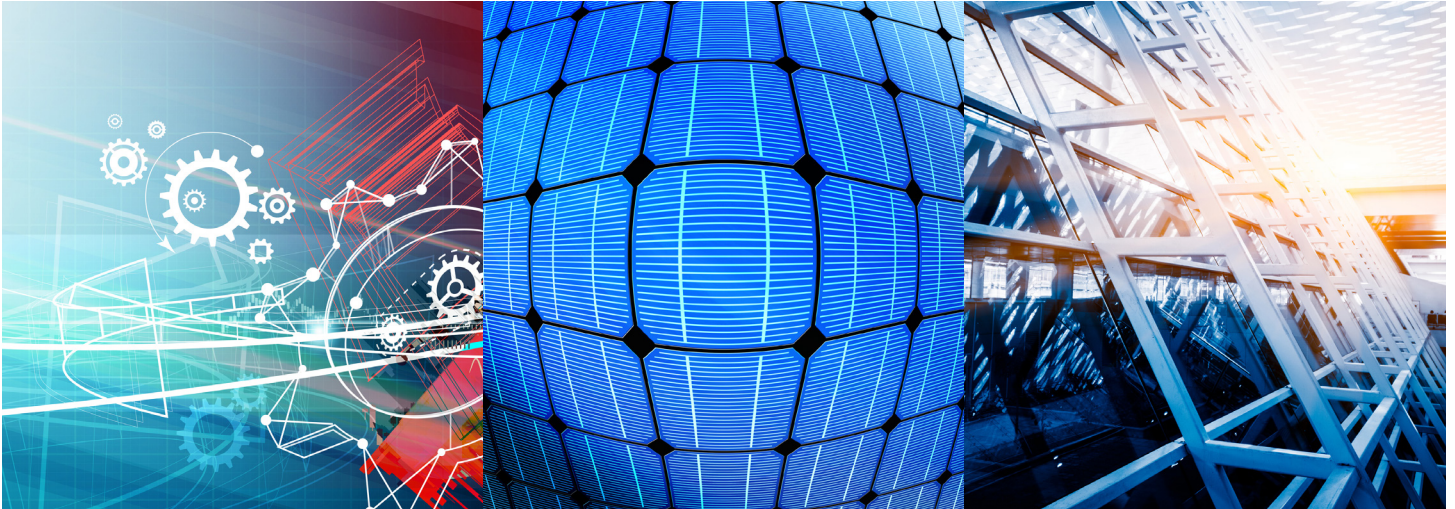


2017 PTAB YEAR IN REVIEW

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Introduction



Wilson Sonsini Goodrich & Rosati is pleased to present our *2017 PTAB Year in Review*. We begin our report with a review of 2017 petition filings at the Patent Trial and Appeal Board (PTAB), which continues to be one of the busiest jurisdictions in the U.S. for patentability challenges. We then look more closely at the results of these challenges, examining trends in institution rates and final written decisions.

Our 2017 report summarizes several significant PTAB developments and decisions, including one America Invents Act precedential decision and three informative decisions that address the PTAB's authorization to reject petitions because they assert art or arguments that are

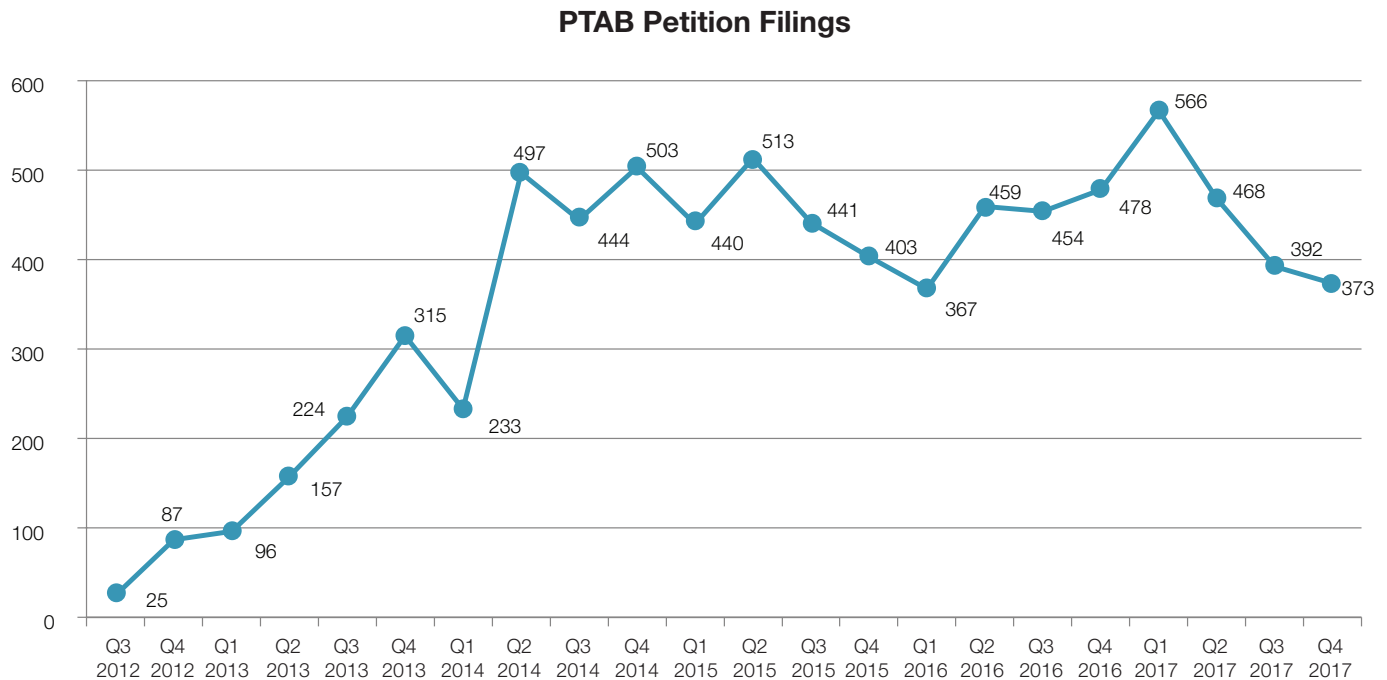
the same or substantially the same as those previously presented to the Patent Office. We also explore new guidelines for remands from the Federal Circuit, and we discuss sovereign immunity, which proved to be a headline-grabbing topic for the PTAB in 2017.

In the last section of our report, we analyze the number of appeals from AIA trials that were filed and the number of matters heard by the Federal Circuit—the PTAB's reviewing court—in 2017 and preceding years. We review decision types and outcomes, focusing on the Federal Circuit's rate of affirmance of PTAB decisions in 2017, and we detail several notable Federal Circuit decisions, including those

addressing abuse of discretion, notice and opportunity to respond, and amendment practice. We conclude our report with a look at the two cases that were heard by the U.S. Supreme Court during the 2017 term that are of interest to PTAB stakeholders.

We hope you find our *2017 PTAB Year in Review* to be a useful resource for insight on the most meaningful developments from the past year. As always, should you have any questions or comments on any of the matters discussed in the report, please contact a member of the firm's post-grant practice or your regular WSGR attorney.

PTAB Petition Filings



Source: Lex Machina, 1/23/18

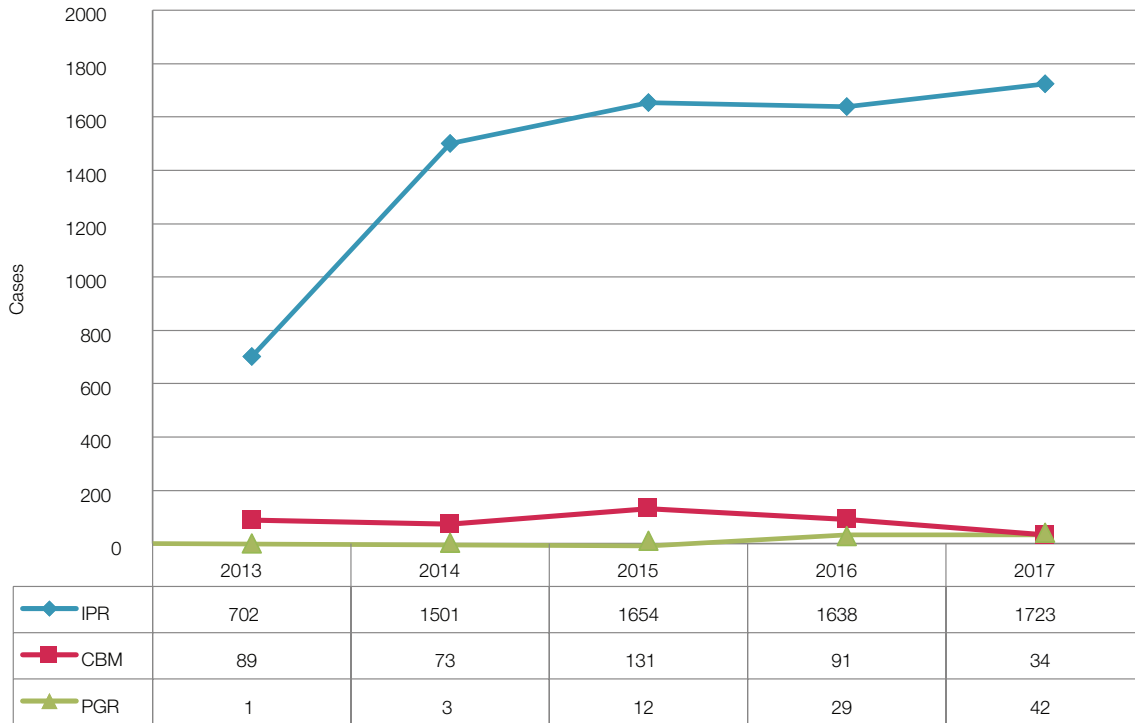
Consistent with recent years, 2017 was a busy year for petition filings at the Patent Trial and Appeal Board (PTAB)—a total of 1,799 new petitions were filed during the year. The first quarter of 2017 saw the largest number of filings, with the following three quarters experiencing a steady decline. Despite this downward trend of decreased filings over the year, the total number of filings lined up with expectations that they would continue to occur at an average rate of 450 new petitions per quarter.

The trends in the various types of petitions filed also continued as

expected. *Inter partes* review (IPR) petitions once again comprised the overwhelming majority of new petition filings, making up 96 percent of the total new filings in 2017—a slight increase from the 91 percent average in previous years. Post-grant review (PGR) petitions also continued to increase. A total of 42 new PGR petitions were filed in 2017—a modest increase compared to last year’s 29 petitions (about 2 percent of total filings). This increase was expected as more patents become eligible for PGR (i.e., patents with an effective filing date on or after March 16, 2013).

Offsetting the increases in IPR and PGR petitions was a notable decrease in the filing of covered business method (CBM) petitions. Only 34 CBM petitions were filed in 2017 (about 2 percent of total filings)—less than half the number filed in 2016 (91 petitions, or about 5 percent of total filings), and about a quarter of the number filed in 2015 (131 petitions, or about 7 percent). This continued decrease, however, was expected, given the narrow eligibility requirements for CBM review.¹ It is expected that CBM petitions will continue to decrease, while PGR petitions should continue to increase, although not significantly,

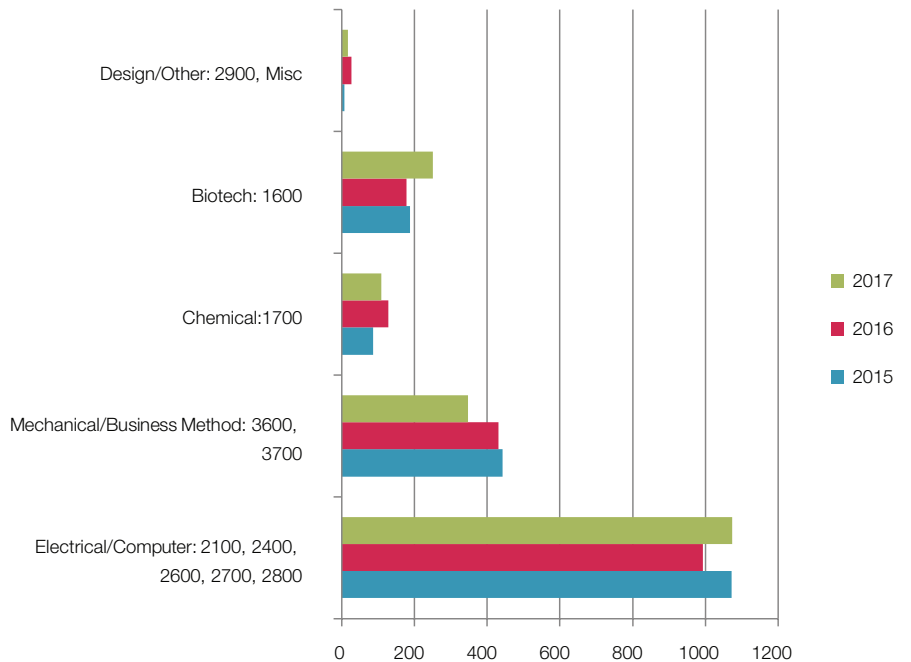
AIA Petitions Filed Per Year



Source: Lex Machina, 1/23/18

given the shortened filing deadline (within nine months of the patent’s grant date) and broad estoppel provision.

The relative filing rates based on technology type has stayed consistent in recent years. Specifically, electronic and computer arts comprised the bulk of petition filings, representing 60 percent of the total filings in 2017. Filings related to the mechanical arts and business methods saw a modest decrease (down from 25 percent of total filings in both 2015 and 2016 to 19 percent of total filings), while biotech-related filings increased slightly to 14 percent of total filings compared to rates of 10 percent in 2015 and 2016.



Source: Lex Machina, 1/23/18

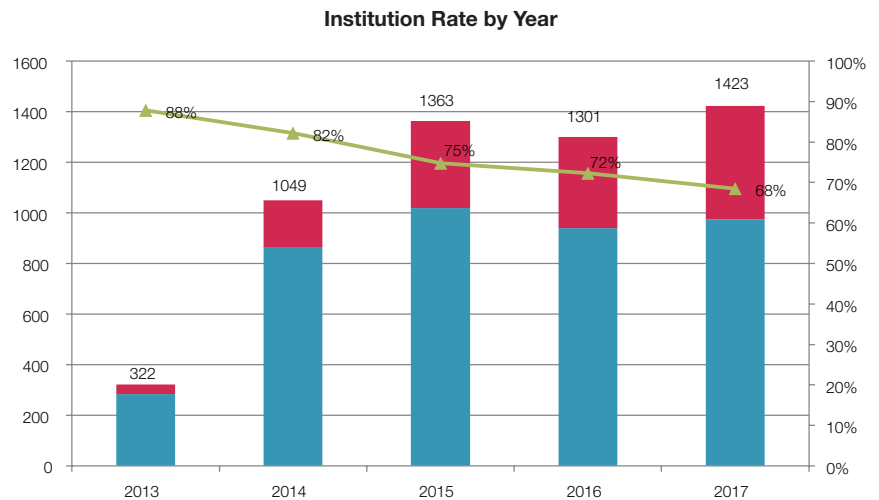
PTAB Outcomes

After the filing of a petition, the PTAB issues a decision whether to institute trial on any of the challenged patent claims, which, if instituted, is then followed by a final written decision on the challenged claims.

Institution

The institution rate for 2017 remained consistent compared to 2015 and 2016 (roughly 7 out of 10 decisions instituted on at least one challenged claim), only slightly decreasing from about 72 percent in 2016 to about 68 percent, making the all-time average institution rate since 2012 now 75 percent. As the graph on the right shows, this slight decrease represents a continual downward trend in the institution rate over the years. However, given that the number of cases receiving an institution decision has increased significantly since 2013 (from 322 cases in 2013 to 1,423 cases in 2017), this may be due to the PTAB's increased exercise of its broad discretion to deny institution based on grounds not related to the merits of the challenge (e.g., denial of follow-on petitions).

As discussed later in this report, this broad discretion was recently affirmed in a precedential decision by an expanded PTAB panel in *General Plastic Industrial Co., Ltd. v. Canon Kabushiki Kaisha*. Thus, if the filing



Source: Lex Machina, 1/23/18

rate for petitions holds steady, the institution rate for the near future may continue its slight downward trend as the PTAB looks to conserve its resources.

The table on page 5 illustrates the institution rates since 2015 by technology center. Technology Center 2800-Semiconductors continued to include an institution rate higher than the yearly average, while Technology Center 1700-Chemical remained lower, but showed an institution rate closer to the average overall rate in 2017 compared to previous years. Technology Center 3700-Mechanical continued its downward trend in total institutions with a 62 percent institution rate in 2017, and 2400-Networking showed a significant drop in its institution rate

compared to 2016, tracking back toward the overall institution rate for 2017.

Final Written Decision

Consistent with previous years, once trial has been instituted and a case reaches final disposition, the likelihood of all claims surviving through a final written decision in 2017 remains low. As the graph below shows, the petitioner was able to either invalidate all instituted claims or have all claims amended in 332 out of 522 total cases, resulting in a petitioner win rate of about 64 percent. Although the rate remains high, the win rate for petitioners since 2014 is on a downward trend. In comparison, patent owners were more likely to succeed in having all

Technology Center	2015		2016		2017	
	Institutions	Rate	Institutions	Rate	Institutions	Rate
2700 - Comm. & Software*	358	76%	292	71%	284	68%
2800 - Semiconductors	192	80%	152	83%	143	72%
2400 - Networking	94	70%	104	79%	140	68%
3700 - Mechanical	110	78%	101	68%	104	62%
3600 - Business Methods	158	78%	124	78%	115	75%
1600 - Biotech	55	57%	119	70%	109	70%
1700 - Chemical	48	63%	36	52%	69	65%

Source: Lex Machina, 1/23/18

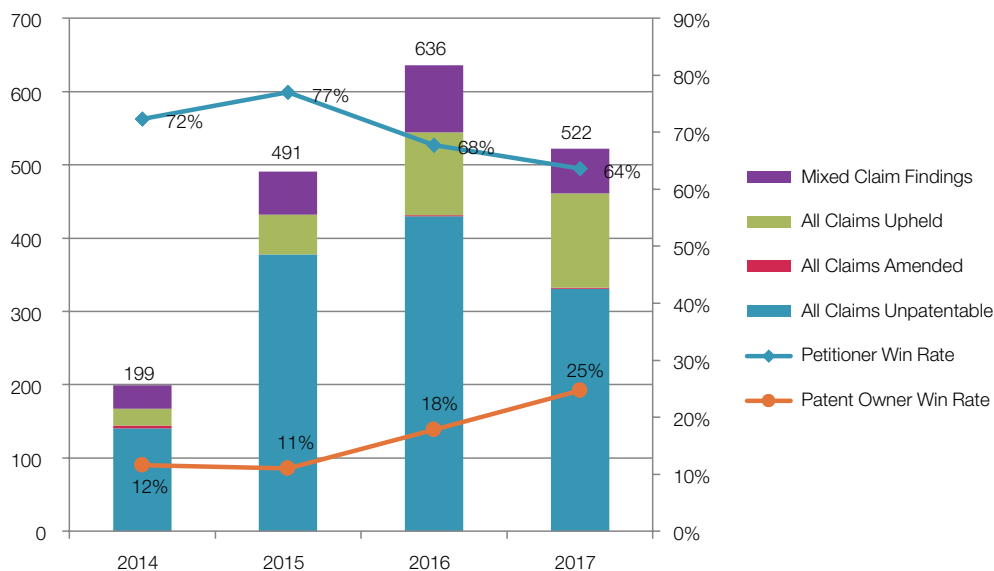
*Technology Center 2700 is a legacy technology center that was split into Technology Centers 2100 and 2600. For ease of comparison, however, the data is based on cases from all three centers.

instituted claims upheld compared to previous years— 129 cases in 2017, resulting in a patent owner win rate of about 25 percent, which is up from the 18 percent win rate in 2016 and the 11 percent win rate in 2015.

Cases resulting in partial wins for both the petitioner and patent owner remained largely consistent: 61 cases resulted in a final written decision with mixed claim findings, or about a 12 percent rate compared to the average 14 percent rate over 2014 to

2016. This suggests that, while the institution stage remains highly pivotal in PTAB trials, the likelihood that the patent owner will walk away with all or at least one or more claims intact has increased compared to earlier years.

Final Written Decisions by Year



Source: Lex Machina, 1/23/18

Notable PTAB Cases in 2017

Based on the volume of decisions rendered by the board and the overall importance of several decisions, 2017 proved to be another eventful year for the PTAB. In this section, we summarize a selection of notable PTAB cases.

Precedential and Informative Decisions

In 2017, the PTAB designated one America Invents Act (AIA) decision as precedential and three as informative. Each of these decisions addresses the PTAB's discretion not to institute proceedings.

Precedential Decision

In *General Plastic Industrial Co., Ltd. v. Canon Kabushiki Kaisha*,² an expanded PTAB panel affirmed the PTAB's discretion not to institute *inter partes* review (IPR) proceedings regardless of the merits of the patentability challenge. The PTAB rejected the argument that this discretion was limited to denying petitions where the same prior art or argument was previously presented to the Patent Office³ or when the PTAB was attempting to alleviate a backlog of pending cases. It held that the PTAB has discretion not to institute petitions on the basis that they follow-on a previously denied petition. The decision was issued by an expanded panel comprising the chief administrative patent judge

(APJ), deputy chief APJ, and five other APJs, including the original panel members.

A non-precedential section of the opinion describes the PTAB's procedures for panel expansions. It explains that neither the parties nor the panel may request an expanded panel, but that the chief judge may consider panel expansion upon a suggestion from a judge, panel, or party. It states that panels may be expanded to address "an issue of exceptional importance" and that this particular panel was expanded "to provide a discussion of factors that are considered in the exercise of the PTAB's discretion under 35 U.S.C. § 314(a) and 37 C.F.R. § 42.108(a)." Section 314(a) provides that the Director may not institute an IPR unless the Director determines that the petitioner is reasonably likely to prevail on at least one claim. Rule 42.108(a) provides that the PTAB may institute on all or just some of the challenged claims.

The precedential portion of the decision describes the purposes behind the PTAB's exercise of this discretion, as well as factors it has consistently considered to achieve those purposes. It identifies the relevant purposes as improving patent quality, making the patent system more efficient, and avoiding abuse of the process by repeated attacks on the same patent. It

reasons that "[t]he absence of any restrictions on follow-on petitions would 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," which would be both "unfair to patent owners" and an inefficient use of PTAB resources. It thus recites a non-exclusive list of baseline factors designed to take into account "undue inequities and prejudices" to patent owners and inefficient use of PTAB resources from follow-on petitions:

1. Whether the same petitioner previously filed a petition against the same claims;
2. Whether the petitioner knew or should have known of the prior art in the second petition when it filed the first one;
3. Whether the petitioner had already received the patent owner's preliminary response or the PTAB's institution decision on the first petition when it filed the second petition;
4. How long the petitioner waited to file after learning of the prior art in the second petition;
5. Whether the petitioner adequately explains the time elapse between petition filings;
6. The finite resources of the PTAB; and

7. The PTAB's statutory deadline for completing review.

The decision expressly notes that “additional factors may arise in other cases for consideration, where appropriate.”

In another non-precedential section of the opinion, the PTAB denied rehearing of its non-institution decision. The PTAB rejected the petitioner's argument that factor 2 necessarily precludes all follow-on petitions because printed publications should be publicly available through a reasonable search. The opinion did not provide any specific examples of when a document would qualify as a printed publication but still not have been found with reasonable diligence prior to the first petition. The PTAB also rejected the argument that the patent owner's claim construction position was so surprising as to justify a follow-on petition with additional prior art, concluding that the “[p]etitioner's assertion of being surprised by our giving weight to the [structural limitation appearing in the claim preamble] is not reasonable.”

Informative Decisions

In contrast to the expansive discretion asserted in the precedential *General Plastics* decision, each of the three decisions designated informative in 2017 address the PTAB's specific congressional authorization to reject petitions under 35 U.S.C. Section 325(d) because they assert art or arguments that are the same or substantially the same as those

previously presented to the Patent Office.

In *Unified Patents Inc. v. John L. Berman*,⁴ the PTAB invoked Section 325(d) to deny institution of two grounds of unpatentability, but declined to invoke it on a third ground (which it denied on the merits). All three grounds relied on the same primary reference that had been used by the examiner for a rejection during prosecution. Two of the grounds relied upon the same new reference, and the PTAB concluded this new reference was relied upon by the petitioner in substantially the same manner as the original reference was relied upon during prosecution. Although the petition acknowledged that the challenged claims were specifically amended during prosecution to overcome the original rejection, it failed to present any argument distinguishing the prior consideration or providing a compelling reason to re-adjudicate substantially the same prior art and arguments as those presented during prosecution and considered by the examiner.

In *Hospira, Inc. v. Genentech, Inc.*,⁵ the PTAB denied institution of a petition in which the grounds each depended on undermining the priority claim of the challenged patent. The original examiner had already “considered fully the written description and enablement issues underlying applicant's claim to priority in allowing the claims to issue.” The PTAB concluded that the “[p]etitioner has not presented new evidence or

arguments that would convince us that the Examiner's determination was unreasonable.” Because the effectiveness of the claimed priority date removed the asserted references as prior art, the PTAB denied institution.

In *Cultec Inc. v. Stormtech LLC*,⁶ the PTAB denied institution because the primary ground references were previously presented to the patent office during examination through a third party submission by petitioner's counsel in the IPR. The petitioner's counsel also had submitted claim charts to the examiner comparing the references to the claims under examination. These claim charts were generally similar to (though less detailed than) those contained in the petition. Although the petition relied on some new references, the PTAB concluded that their disclosures were substantially the same as the prior art previously considered by the examiner. The panel even raised the issue of substantial similarity *sua sponte* regarding one reference the patent owner had not attacked on this basis.

These cases illustrate the importance to petitioners of not merely asserting different references than what was considered during prosecution, but also of providing argument and evidence clearly demonstrating why such differences warrant a different result. Asserting references with immaterial differences, or materially different references offered without sufficient explanation and justification, very well may result in summary

denial of institution. For patent owners, these cases illustrate the importance of calling out petitions that fail to materially distinguish their asserted art from that which was previously considered by the Patent Office.

PTAB Announces New Guidelines for Remands from Federal Circuit

Federal courts of appeal, including the Federal Circuit, have some latitude to fix a defective district court decision by affirming for any reason that is already in the record. They have much less latitude when reviewing agency decisions. Because the review happens between collateral branches of government, courts defer to the agency decision when they can, but must remand a defective decision to the agency for further action, even if a fix is apparent in the record. Consequently, agencies including the PTAB tend to see significant numbers of remands. In calendar year 2017, the Federal Circuit remanded about 9 percent of PTAB appeals (versus 3 percent for outright reversals). Given the large volume of appeals from the PTAB, as well as the maturing body of case law developing for appeals from PTAB trials under the America Invents Act, the PTAB has seen the need to issue guidance on how it will address such remands.

The new guidance, issued as “Standard Operating Procedure 9: Procedure for Decisions Remanded from the Federal Circuit for Further Proceedings” (SOP 9), includes two

appendices. Appendix One provides guidance to the PTAB’s judges, while Appendix Two provides guidance to the parties. Significantly, the panel receiving the remand must schedule a meeting with the chief or deputy chief administrative judge before the Federal Circuit issues its mandate. Because the PTAB is an agency with more than 270 judges, the chief and deputy generally function more as managers than as judges. The meeting provides PTAB management an opportunity to assess the quality of the original decision and any need for corrective action, including expanding the panel of judges on the case, as well as an opportunity for promoting uniformity. Topics for the meeting include the history of the case, issues the court identified for remand, procedures for administering the remand, and the existence of any policy considerations that might warrant policy action. The guidance also sets a six-month goal for completion of the remand.

The guidance for parties is divided between guidance for trials and guidance for appeals. The guidance creates norms for shaping expectations, but does not create any legally enforceable rights. That is, a departure from SOP 9 is not by itself a prejudicial error. For trials, the PTAB will generally permit additional briefing (unless the basis for error is lack of an explanation and the record is sufficient). The PTAB will not permit new evidence unless a due-process violation requires additional evidence. Similarly, the parties will not be provided oral argument unless it is

required to address a due-process violation. For appeals, the PTAB generally will not seek additional input from a party unless the PTAB enters a new ground of rejection.

The guidance suggests that the PTAB will apply these new procedures flexibly, but the comprehensive nature of the guidance and the fact that the panel will discuss the case with management early in the remand suggests that panels will adhere to the guidance conservatively. Indeed, the examples discussed in the appendix show a very conservative approach to further briefing and record development. A party affected by a remand might not have much opportunity to help shape the process on the remand after the management meeting. Hence, a party seeking flexibility within the guidance or a departure from the guidance should consider approaching the panel soon after the court issues its decision issues, and well before it issues mandate, to justify any particular process it believes is warranted. In particular, a party should outline a process that can be completed within six months, or provide a justification for why the process reasonably should take longer.

The Rise (and Potential Fall) of Sovereign Immunity at the PTAB

Sovereign immunity became an unexpected theme for 2017 at the PTAB. The year started with a PTAB decision dismissing an IPR against a state-university-owned patent.⁷

Additional decisions followed, either dismissing the IPR⁸ or dismissing the state university as a party, but holding that a non-state co-owner is sufficient to continue the IPR.⁹

In the United States, sovereign immunity is a common-law doctrine generally barring the exercise of judicial power over a sovereign, except to the extent immunity has been waived.¹⁰ The four relevant types of sovereigns are the federal government, a state government, a foreign state, and a recognized Indian tribe.¹¹ Entities considered “arms” of the sovereign also are immune, so a university that is legally an agency of a state will be immune, while a local government agency might not be considered an arm of the state.¹²

The federal government has yet to assert sovereign immunity in PTAB proceedings.¹³ Similarly, a foreign state has not yet asserted immunity, but Congress has largely codified the treatment for foreign sovereigns.¹⁴ The Foreign Sovereign Immunity Act provides a framework for determining the applicability of immunity, notably exempting foreign state actions that are essentially commercial in nature.¹⁵ Presumably, this framework would limit the effect of such immunity in PTAB proceedings. States and one tribe have asserted immunity in PTAB proceedings, but Congress has not provided a comparable global framework for applying their claims to immunity. The U.S. Supreme Court, however, has held that an agency adjudication that is

sufficiently judicial may be barred by state sovereign immunity pursuant to the Eleventh Amendment.¹⁶ No comparable amendment exists for tribes. Significantly, neither the Eleventh Amendment nor common law prevents federal enforcement of a statute of general applicability.¹⁷

The early PTAB decisions largely upheld claims to state sovereign immunity, rejecting arguments that state participation in the patent system waived immunity or that the U.S. Patent and Trademark Office (USPTO) retains power to act on patents regardless of ownership.¹⁸ The year ended, however, with identical decisions (with identical single-judge concurrences) from expanded panels rejecting claims to sovereign immunity.¹⁹ The majority held that PTAB proceedings were sufficiently “judicial” to be subject to the Eleventh Amendment and that the state university in both cases was entitled to claim state sovereign immunity, but it had waived its immunity by pursuing infringement actions on the involved patents. The concurrences agreed in the result, but would have held more broadly that the PTAB is acting on the patent, not on the sovereign, so sovereign immunity is not implicated.²⁰

These PTAB decisions are unlikely to be the last word. First, a sovereign might argue that the proceeding irreparably harms its rights, and could either take an interlocutory appeal or preserve the issue for appeal through the final PTAB judgment.²¹ Second,

the decisions only address states, so the implications for other sovereigns remain to be seen, although the majority’s waiver theory should apply to all sovereigns. Third, the concurrences might have the better argument: at least, they are closer to the official federal government position.²²

The Supreme Court currently is mulling the more fundamental question of whether IPRs are unconstitutional.²³ If the Court concludes that IPRs are unconstitutional, then the sovereign immunity question in IPRs will be moot. The Supreme Court’s question turns, in part, on how judicial the PTAB proceedings are, and whether they improperly usurp the power of the judicial branch. In briefing the question, the United States took the position (among others) that a patent is a license or franchise of the U.S. government (rather than personal property), and thus, the PTAB has the power to act directly on the patent without affecting the constitutional rights of the patent owner.²⁴ If the Court concludes that IPRs are constitutional, it will likely do so based on its understanding of how judicial PTAB proceedings really are or on its determination that patents always remain within the USPTO’s power for further review. Either outcome likely would profoundly influence the proper answer to the sovereign immunity conundrum.

Federal Circuit Activity

Appellate Review of PTAB Decisions

Appeals from AIA trials have dramatically increased the number of USPTO cases heard by the Federal Circuit each year. Appeals from the USPTO peaked in fiscal year (FY)16 at approximately six times the number of cases heard in pre-AIA years. The number of cases filed in FY17 decreased slightly. This

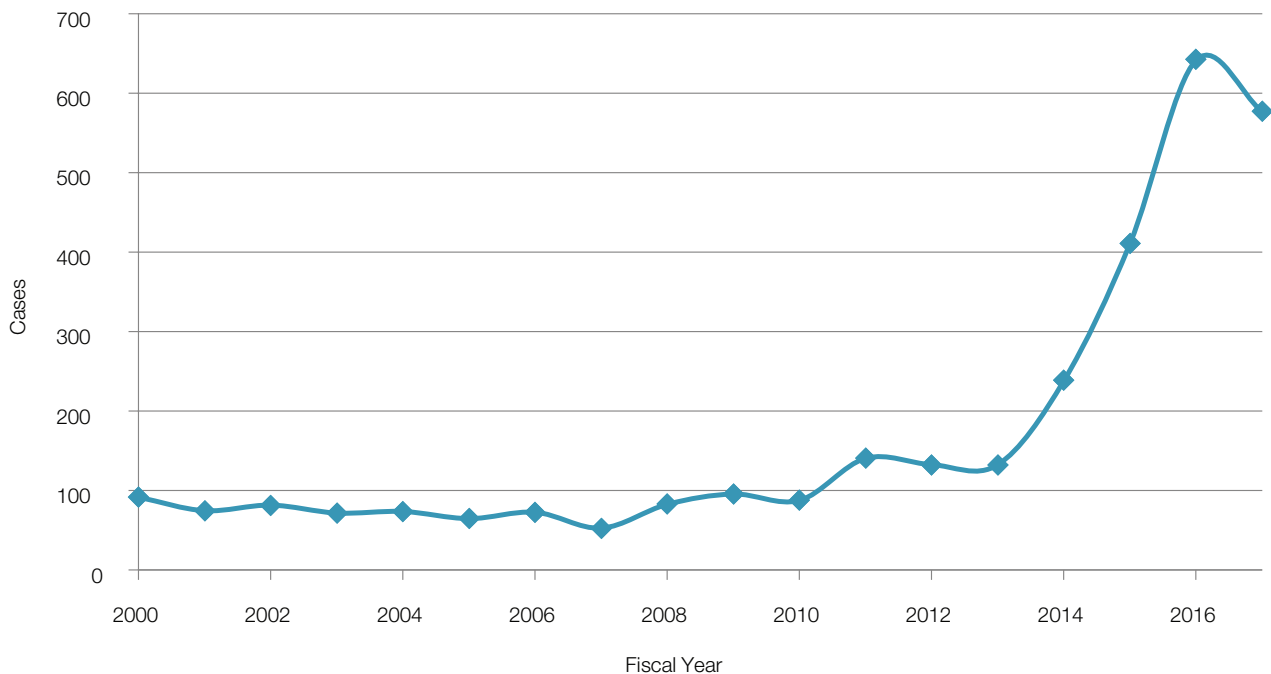
decrease may reflect the increased success patent owners had in 2017 in defending the patentability of instituted claims (see section 1).

Although the number of cases filed decreased in FY17, the time to disposition increased from 11 to 13 months. This increase is a result of the large number of cases that remained pending at the close of FY16. In December 2017, the Federal

Circuit added one additional day per month for oral arguments to alleviate the backlog of pending cases.

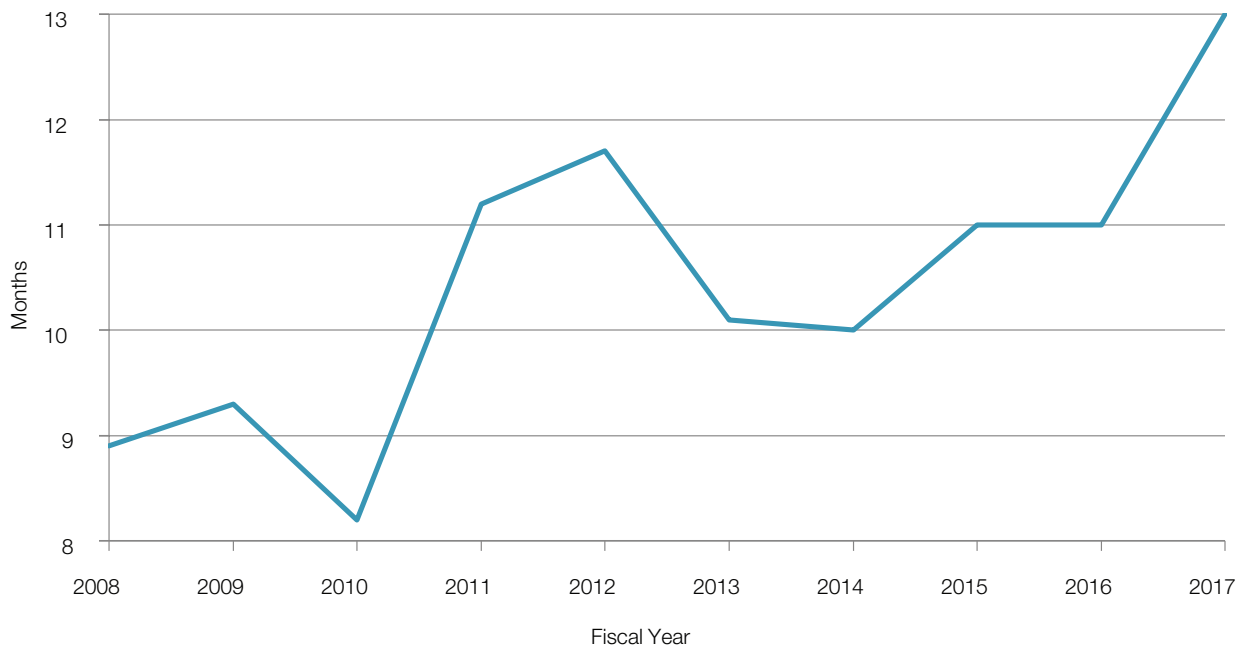
Despite increasing the total number of cases decided in FY17 relative to FY16, the Federal Circuit also increased the number of non-precedential decisions issued at the expense of summary affirmances (Rule 36). Much of this increase in non-precedential decisions

Appeals Originating from USPTO



Source: U.S. Court of Appeals for the Federal Circuit

Median Time: Docketing to Disposition



Source: U.S. Court of Appeals for the Federal Circuit

Decision Type			
	FY16	FY17	FY18 (YTD)
Rule 36	50 (51%)	60 (43%)	19 (48%)
Non-Precedential	16 (16%)	47 (34%)	13 (33%)
Precedential	32 (33%)	32 (32%)	7 (19%)

Source: Wilson Sonsini Goodrich & Rosati

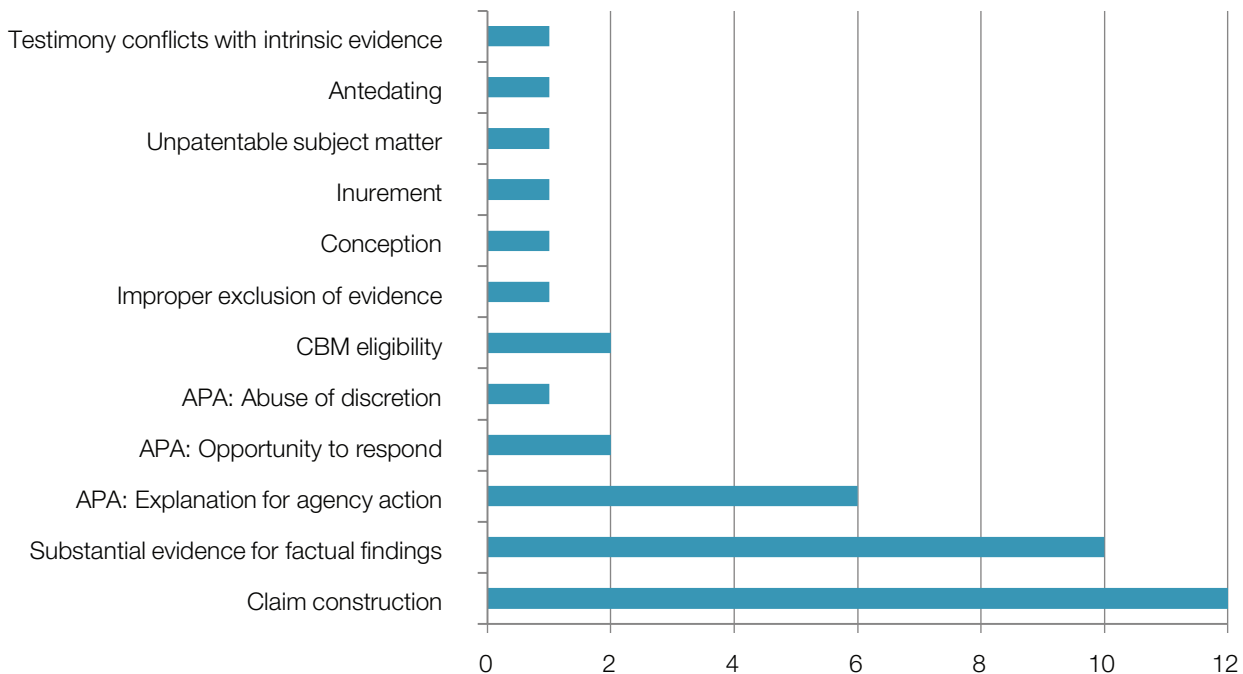
Outcomes			
	FY16	FY17	FY18 (YTD)
Affirmed	76 (78%)	102 (74%)	29 (73%)
Reversed/Vacated	8 (8%)	18 (13%)	3 (7%)
Reversed/Vacated in Part	12 (12%)	15 (11%)	7 (18%)
Dismissed	2 (2%)	3 (2%)	1 (2%)
Total	98	139	40

Source: Docket Navigator

*FY18 includes cases decided between October 1, 2017, and January 11, 2018.

occurred in the latter half of FY17 — after Celgard filed its writ of certiorari challenging the legal basis for the Federal Circuit’s Rule 36 practice. The U.S. Supreme Court has not yet decided whether to hear Celgard’s challenge.

The following graph on page 12 shows the issues on which the Federal Circuit overturned PTAB decisions in FY 2017. Similar to FY 2016, improper claim construction and various violations of the Administrative Procedure Act were among the top reasons given. The Federal Circuit also overturned a significant number of cases for factual findings that lacked substantial evidence.



Source: Wilson Sonsini Goodrich & Rosati

Note: Total is more than the number of vacated/vacated-in-part, as some decisions had more than one reason for vacating.

Notable Federal Circuit Cases

CBM Eligibility

*Secure Access, LLC v. PNC Bank Nat'l Assn.*²⁵ gave guidance as to how the PTAB is to determine whether a patent is eligible for review under the Covered Business Method (CBM) program. The court found that “[i]t is the claims, in the traditional patent law sense, properly understood in light of the written description, that identifies a CBM patent.” *Secure Access* also affirmed that “the statutory definition of a CBM patent requires that the patent have a claim that contains, however phrased, a financial activity

element.” The patent at issue was directed to “systems and methods for authenticating a web page” and was determined ineligible for review under the CBM program. While *Secure Access* does not define “financial activity” it pointed to examples from earlier cases which have found that claims directed to a “method for determining a price of a product,” “subsidizing the qualified subscriber according to the chosen subsidy program,” and “providing a credit card number of the second party ... so the second party is charged money,” are eligible for the CBM program.²⁶

Prosecution Disclaimer Applies to Statements Made During an IPR

In *Aylus Networks, Inc. v. Apple Inc.*,²⁷ the Federal Circuit extended the application of the prosecution history disclaimer doctrine to IPR proceedings. This doctrine applies when “the patentee unequivocally and unambiguously disavows a certain meaning to obtain a patent,” and results in a “narrow[ing of] the meaning of the claim consistent with the scope of the claim surrendered.” The court previously had found that prosecution disclaimer applies to reissue and reexamination proceedings.

Administrative Procedure Act: Abuse of Discretion

In *Ultratec, Inc. v. Captioncall, LLC*,²⁸ the Federal Circuit took issue with PTAB practices that insulate evidentiary decisions from appellate review. Under 37 C.F.R. Section 42.123, a party seeking to supplement the record more than one month after institution of an IPR must show: (1) why the supplemental information reasonably could not have been obtained earlier, and (2) that consideration of the supplemental information would be in the interests of justice. Ultratec sought to submit supplemental information in the form of district court trial testimony from Captioncall's expert witness that allegedly conflicted with testimony given by the same witness in several related IPRs. Ultratec initiated a conference call with the PTAB to request authorization to file a motion to supplement the record with the trial testimony shortly after the verdict in the district court case. The PTAB denied Ultratec authorization to file the motion without reviewing the testimony at issue and without any explanation in the record as to why it denied authorization. In its final written decision, the PTAB relied on the testimony of Captioncall's expert witness. The court found the PTAB had abused its discretion in denying authorization to file the motion finding that Ultratec had satisfied both requirements of Section 42.123.

Administrative Procedure Act: Notice and Opportunity to Respond

In *Novartis AG v. Torrent Pharms. Ltd.*,²⁹ Novartis argued that the PTAB violated the notice and an opportunity to respond requirements of the APA when it "used the Sakai reference as part of its motivation to combine analysis in the Final Written Decision." The Sakai reference was put forward by petitioner as a grounds reference and that ground was denied institution by the PTAB. Novartis argued that it believed that the teachings of Sakai were no longer at issue after the PTAB denied institution. However, the court found that Sakai was also used by petitioner in the instituted ground as further evidence of motivation to combine. The court also found that Sakai remained an issue throughout the trial and that Novartis had addressed the motivation to combine arguments involving Sakai in its Patent Owner Response. As a result, there was no APA violation because Novartis had notice and actually responded to petitioner's arguments involving Sakai.

In *EmeraChem Holdings, LLC v. Volkswagen Group of Am., Inc.*,³⁰ EmeraChem argued that the PTAB violated the notice and an opportunity to respond requirements of the APA when it relied on a grounds reference for teaching a claim element when that grounds reference was not cited

in the relevant claim charts. The PTAB relied on Stiles for teaching a claim limitation common to claims 3, 16, and 20. In its petition, Volkswagen, asserted that claims 1-14 and 16-20 were unpatentable as obvious over Hirota, Saito, and Stiles. The petition cited the portion of Stiles relied on by the PTAB for claims 3, 16, and 20 in an overview of the reference, but not in the relevant claim charts. The court found that "[t]he fact that neither party ever mentioned Stiles in the context of discussing claims 3, 16, and 20, helps make the point that neither party was on notice that Stiles was at issue as to those challenged claims."

Amendment Practice Under Aqua Products

The Federal Circuit in *Aqua Products, Inc. v. Matal* went *en banc* to answer who bears the burden on patentability for amended claims and whether the PTAB may raise its own reasons for unpatentability. In a highly fractured decision, a plurality held that the patent owner does not bear the burden to prove patentability of amended claims. The plurality also held that the PTAB must review the amended claims in light of the entirety of the record. This result largely follows previous case law for patent reexaminations that requires the PTAB to consider the entire record in determining patentability rather than simply adopting or rejecting a party's position.

The *Aqua Products* decision applied immediately to cases pending before the PTAB and the Federal Circuit.³¹ As a consequence, parties may wish to seek additional briefing or recalibrate their strategies to take this decision into account. Despite the significance of *Aqua Products*, amendment practice might not change much in the short run. Many of the reasons not to amend (intervening rights, unlikelihood of success for some inventions, cost for some parties) will remain. Additionally, some of the present burdens on the patent owner remain, including the need to show that the proposed claims overcome the instituted grounds of unpatentability and do not broaden the scope of the claim or introduce new matter. The costs of amendment practice are likely to increase to accommodate the risk of petitioner estoppel from failing to challenge an amended claim completely.

The change in practice may provide new tactical and strategic opportunities for petitioners and patent owners alike. Petitioners will need to address all possible grounds of unpatentability or risk estoppel. The statutory restriction of unpatentability to grounds based on prior art and printed publications will not apply to the amended claims. Conversely, petitioners may have new opportunities to attack the unamended claims by addressing unpatentability of the amended claims in terms that clearly apply

to the unamended claims as well. Paradoxically, a patent owner might emerge from an IPR in an even stronger position because its amended claims will now avoid unpatentability over the instituted grounds and estoppel will shield the claims from challenges (by the petitioner or its privies) for any ground it should have raised in opposition to the amendment.

There have been only 275 motions to amend presented in AIA trials. Of these motions, only 14 (5 percent) were partially or fully granted.

Federal Circuit Clarifies Petitioner Standing to Appeal

Standing for appeal from a PTAB

decision has been another theme in 2017, with the Federal Circuit providing clarifications on the two most common situations in which standing issues arise. By statute, any “person who is not the owner” may petition for institution of an IPR or PGR.³² The term “person” is broadly defined to include juridical entities.³³ Thus, the challenged patent need not pose any threat to the IPR or PGR petitioner. The Supreme Court, however, understands the U.S. Constitution to require a person invoking a federal court’s jurisdiction to show, first and foremost, an invasion of a legally protected interest that is concrete and particularized and actual or imminent.³⁴ Hence, while anyone may file a petition for

Cases with Successful Motions to Amend	
Case	Parties
CBM2013-00027	<i>Chicago Mercantile v. 5th Market, Inc.</i>
CBM2015-00040	<i>Google Inc. v. ContentGuard Holdings, Inc.</i>
IPR2013-00124	<i>IFF v. U.S. Dept. of Agriculture</i>
IPR2013-00402	<i>Riverbed Tech v. Silver Peak System</i>
IPR2013-00403	<i>Riverbed Tech v. Silver Peak System</i>
IPR2014-00090	<i>Veeam Software Corp. v. Veritas Tech., LLC</i> †
IPR2014-00192	<i>Syntroleum Corp v. Neste Oil</i>
IPR2015-00208	<i>Shinn Fu Company of America, Inc. v. The Tire Hanger Corporation</i>
IPR2015-01225	<i>Global Tel*Link Corp. v. Securus Technologies, Inc.</i>
IPR2015-01953	<i>Activision Blizzard, Inc. v. Acceleration Bay, LLC</i>
IPR2015-01972	<i>Activision Blizzard, Inc. v. Acceleration Bay, LLC</i>
IPR2015-01996	<i>Activision Blizzard, Inc. v. Acceleration Bay, LLC</i>
IPR2015-02009	<i>Amerigen Pharm. Ltd. v. Shire LLC</i>
IPR2016-00502	<i>Valeo N. America, Inc. v. Schaeffler Tech. AG & Co. KG,</i>

† Remand from the U.S. Court of Appeals for the Federal Circuit.

IPR or PGR, the ability to appeal from the PTAB's decision is not so liberal.³⁵

On appeal, the petitioner may be the appellant challenging the PTAB's final written decision or the appellee defending the PTAB decision. In a cross appeal, the petitioner could have both roles. The court first confronted the question of the petitioner as an appellant in *Phigenix, Inc. v. ImmunoGen, Inc.*,³⁶ an appeal from a final decision in an IPR. Phigenix had petitioned for IPR and the PTAB instituted review, but the PTAB ultimately held that Phigenix had not proven unpatentability.³⁷ The court explained that the appellant has a burden of proof to show standing whenever it is placed in doubt.³⁸ On appeal, whenever the appellant's standing is not "self-evident", the appellant must brief the issue and may even provide new evidence.³⁹ Phigenix had not been sued for infringement and was not seeking a license of the patent, but asserted economic injury stemming from competition in licensing its own patents.⁴⁰ The court, however, concluded that the proffered evidence did not support the conclusion,⁴¹ and dismissed the appeal because Phigenix had failed to establish that it suffered an injury in fact.⁴² The court noted that the possibility of estoppel was not in itself sufficient for an injury in fact, citing a similar holding in a 2014 appeal by a public-interest group from the PTAB's decision in an *inter partes* reexamination.⁴³

The Federal Circuit next considered the standing of a petitioner as appellee

in *Personal Audio, LLC v. Electronic Frontier Foundation*,⁴⁴ another appeal from an IPR. In this case, the appellant was the patent owner and the appellee was a public interest group. The court asked "the parties to brief the question of whether EFF has standing to participate in this appeal, in view of the court's holding in *Consumer Watchdog*."⁴⁵ Although EFF, like the appellant in *Consumer Watchdog*, was a public interest group rather than a competitor, the court distinguished the earlier case because Personal Audio, rather than EFF, was the appellant and thus the party invoking the court's jurisdiction.⁴⁶

As the patent owner whose claims had been held unpatentable, Personal Audio had experienced an alteration of tangible legal rights that was sufficiently distinct and palpable to confer standing under Article III.⁴⁷ The USPTO has the statutory authority to intervene in appeals, and its decision to intervene has occasionally elicited questions from the bench during oral argument,⁴⁸ but like an appellee, the intervenor is not the one invoking the court's jurisdiction.

It is worth noting that, despite the recent spate in standing cases, the issue had arisen before, but for patent owners. In the 1970s, in a precursor to present-day PTAB reviews, the USPTO had experimented with "no-defect" reissues as a type of post-grant review that did not require the patent owner to identify an error for correction to obtain a reexamination of the patent. The USPTO subsequently concluded that no-defect reissues were not real

reissues because they did not meet the statutory requirement for an error requiring reissue. Instead, the USPTO decided that the reexamination and subsequent PTAB⁴⁹ decision were simply advisory opinions alerting the patent owner to a correctable error. In *Dien*, the Federal Circuit's predecessor agreed that the PTAB decisions were advisory and thus did not present an actual case or controversy. Accordingly, the court dismissed the appeal.⁵⁰ Congress replaced the statutorily defective no-defect reissues with the reexamination program still in place today.⁵¹ Although the USPTO's no-defect reissue program is long gone, the *Dien* case serves as a reminder that even a patent owner might not have a justiciable injury in fact on appeal.

The Federal Circuit has not yet addressed a cross appeal. In a cross appeal, both the patent owner and the petitioner appeal the PTAB's decision. Following *Personal Audio*, the patent owner should have standing to appeal. What is less clear is whether the petitioner who otherwise lacks standing would be able to cross appeal because the patent owner had already properly invoked the court's jurisdiction. What if the petitioner is the first to appeal? Could a patent owner's cross appeal effectively cure the petitioner's lack of standing? Until this question is answered, a patent owner considering an appeal should evaluate whether the advantages of the appeal outweigh the potential to cut off the petitioner's access to the court.

Supreme Court Watch

During the 2017 term, the U.S. Supreme Court heard oral arguments in two cases that are of interest to PTAB stakeholders. In *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, the Supreme Court will address whether *inter partes* review (IPR) of a patent violates the U.S. Constitution by extinguishing a property right in a non-Article III forum and without a jury. The decision likely will impact the other post-grant proceedings. In *SAS Institute Inc. v. Iancu*, the Court will address whether the AIA requires the PTAB to issue a final written decision on all challenged claims brought by an IPR petition. Both cases were argued on November 27, 2017.

Oil States

Oil States appealed the PTAB's determination that claims of one of its patents are unpatentable. Oil States argued that IPR violated Article III and the Seventh Amendment by stripping Oil States of its patent property right in a non-Article III proceeding without a jury trial. Consistent with an earlier decision in *MCM Portfolio LLC v. Hewlett-Packard Co.*,⁵² the Federal Circuit rejected Oil States' argument and summarily affirmed the PTAB without issuing an opinion.

Oil States argues that the invalidation of patents is within the federal courts' judicial powers, and that Congress is

not permitted to grant to a non-Article III tribunal the power to cancel claims. To the delight of historical buffs, many of the arguments in the parties' and amici's briefs center on 18th century practices in England. Oil States points out that prior to the ratification of the U.S. Constitution, patent validity and infringement was decided by British judicial adjudications and that practice continued in the U.S. for many decades.

Greene's Energy argues that patents have always been granted as a matter of administrative action and that the office historically has exercised some mechanism to correct errors after issuance, such as through interference proceedings and reexaminations. Greene's Energy also argues that Oil States overstates the significance of the judicial review of patents. Since at least the 17th century, the Privy Council of England did have the authority to invalidate a patent, although it appears that practice significantly waned over the years.

During oral arguments, Oil States made the curious decision to concede that pre-AIA post-issuance proceedings such as *inter partes* reexaminations were constitutional, and instead chose to distinguish IPRs on the basis that these proceedings are too trial-like. Several of the justices appeared unsatisfied with

this argument, wondering where the line should be drawn. Greene's Energy also faced some challenging questions, especially from Justice Gorsuch, who was adamant that private property rights can only be lost via judicial decree. In addition, several of the justices voiced concerns about panel-stacking, where the Director is alleged to have increased the size of PTAB panels to reach a favorable decision, a practice that the Federal Circuit also has recently criticized.

Overall, it appears that a majority of justices would uphold the constitutionality of the AIA post-grant proceedings, though it is unlikely to be a unanimous decision. Another wrinkle is that the Court recently denied cert in *Chan v. Yang*, a case that sought to bring a similar constitutional challenge to interference proceedings. This may be another indication that the Court will affirm the *Oil States* decision.

SAS Institute

In contrast to the complicated constitutional issues in *Oil States*, *SAS Institute* centers on a seemingly simple question of statutory interpretation: whether 35 U.S.C. Section 318(a)'s instruction that the PTAB "shall issue a final written decision with respect to the patentability of *any patent claim*

challenged by the petitioner” requires the PTAB to issue a final written decision on all challenged claims (emphasis added).

Petitioner SAS Institute had filed an IPR petition challenging all claims of Complementsoft’s patent. As the PTAB often does, it instituted proceedings on only a subset of the challenged claims then issued a final written decision on the instituted claims finding most of them unpatentable. However, under the recent Supreme Court case *Cuozzo*, SAS Institute was not able to appeal the PTAB’s decision not to institute on the remaining claims. The petitioner therefore challenged the PTAB’s decision not to address those claims in its final written decision.

Although the statute appears to be in SAS Institute’s favor, the government and Complementsoft have argued that the PTAB’s practice should be upheld because of practical concerns. Since the statute granted

the PTAB broad and unreviewable discretion to institute review of claims, it would make little sense to require the PTAB to address all challenged claims just because a single claim is likely unpatentable. The government and the Complementsoft also argue that “any patent claim challenged by the petitioner” should be read to mean claims challenged in the instituted proceeding.

During oral arguments, the more liberal justices were unsurprisingly favorable toward the government’s argument, viewing SAS Institute’s argument as undermining *Cuozzo* and requiring the PTAB to rule on claims with an incomplete record. The more conservative justices focused on the language of the statute, finding it irreconcilable with the government’s position. Interestingly, Justice Kennedy provided a practical suggestion that the PTAB could resolve the issue by telling the petitioner to drop the uninstituted claims before proceeding on the instituted claims.

In any case, as is typical of substance over form statutory interpretation cases, the Court appeared to be divided. If the Court does rule in favor of SAS Institute, the PTAB may end up following Justice Kennedy’s suggestion for future proceedings—but how the PTAB will handle currently pending proceedings will be up in the air. The PTAB may decide to seek additional evidence and briefing on the uninstituted claims to complete the record, or it may simply issue a final written decision on the uninstituted claims using the same reasoning as the institution decision. The former would pose logistical problems for practitioners, whereas the latter puts the Federal Circuit in the difficult position of adjudicating patentability with an incomplete record and *Cuozzo* in the backdrop.

About WSGR’s Post-Grant Practice

The professionals in Wilson Sonsini Goodrich & Rosati’s post-grant practice are well suited to navigate the complex trial proceedings at the United States Patent and Trademark Office (USPTO). We have extensive experience before the PTAB, representing clients in numerous new trial proceedings, as well as reexaminations and patent interference

trials. In fact, WSGR has been ranked by *Managing Intellectual Property* magazine as one of the nation’s leading law firms representing petitioners and patent owners before the PTAB. Our practice includes professionals with decades of experience at the PTAB, including former PTAB personnel. As the needs of a case may require, our team also collaborates

with other WSGR professionals, including federal court patent litigators and patent prosecutors, with doctorates or other advanced technical degrees. Our core team leverages firmwide intellectual property expertise to provide comprehensive IP solutions for clients that cover strategy, prosecution, licensing, enforcement, and defense.

Endnotes

- ¹ See *Unwired Planet, LLC v. Google Inc.*, 841 F.3d 1376.
- ² IPR2016-01357, -01358, -01359, -01360, -01361, Paper 19 (September 6, 2017) (precedential).
- ³ 35 U.S.C. § 325(d)
- ⁴ IPR2016-01571, Paper 10 (December 14, 2016) (informative).
- ⁵ IPR2017-00739, Paper 16 (July 27, 2017) (informative).
- ⁶ IPR2017-00777, Paper 7 (August 22, 2017) (informative).
- ⁷ *Covidien LP v. Univ. of Fla. Research Found. Inc.*, IPR 2016-01274, Paper 21 (2017).
- ⁸ *Neochord, Inc. v. Univ. of Md.*, IPR2016-00208, Paper 28 (2017).
- ⁹ *Reactive Surfaces Ltd., LLP v. Toyota Motor Corp.*, IPR2016-01914, Paper 36 (2017).
- ¹⁰ *Will v. Michigan Dept. of State Police*, 491 U.S. 58, 66-67 (1989).
- ¹¹ See U.S. Const., art. I, §8, cl. 3 (empowering Congress “[t]o regulate Commerce with foreign Nations, and among the several States, and with the Indian [sic] Tribes”); but see Amdt. XI (shielding the States from “[t]he Judicial power of the United States” in suits by citizens or subjects of other States or foreign states).
- ¹² *Will*, 491 U.S. at 70.
- ¹³ See, e.g., *Int’l Flavors & Fragrances Inc. v. U.S. Dept. of Agriculture*, IPR2013-00124 (2014), in which the PTAB entered judgment in a case involving a patent of a Federal department.
- ¹⁴ 28 U.S.C. ch. 97.
- ¹⁵ 28 U.S.C. §1605(a)(2).
- ¹⁶ *Fed. Maritime Comm’n v. S. Carolina Ports Auth.*, 535 U.S. 743, 765 (2002).
- ¹⁷ E.g., *Fed. Power Comm’n v. Tuscarora Indian Nation*, 362 U.S. 99, 116 (1960) (agency may take tribal lands).
- ¹⁸ *Neochord*, IPR2016-00208, Paper 28, *passim*.
- ¹⁹ *LSI Corp. v. Regents of the Univ. of Minn.*, IPR2017-01068, Paper 19 (2017); *Ericsson Inc. v. Regents of the Univ. of Minn.*, IPR2017-01186, Paper 14 (2017).
- ²⁰ *LSI*, concurrence at 2; *Ericsson*, concurrence at 2.
- ²¹ 28 U.S.C. 1651(a) (All Writs Act). A recent en banc Federal Circuit decision held that a different PTAB jurisdictional question could be appealed, provided the patent owner preserves it through the final decisions. *Wi-Fi One, LLC v. Broadcom Corp.*, App. 2015-1944 (Fed. Cir., Jan. 8, 2018) (en banc), overruling *Achates Reference Publ’g, Inc. v. Apple Inc.*, 803 F.3d 652, 657-58 (Fed. Cir. 2015).
- ²² Br. for the Fed. Respondent at 11, 22 & 50, *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 16-712 (U.S., Oct. 2017).
- ²³ *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 16-712 (U.S., heard Nov. 27, 2017).
- ²⁴ Br. Fed. Resp. at 13-14, 36-38 & 45.
- ²⁵ 848 F.3d 1370 (Fed. Cir. 2016).
- ²⁶ See *Versata Development Group v. SAP America, Inc.*, 793 F. 3d 1306 (Fed. Cir. 2015); *Blue Calypso, LLC v. Groupon, Inc.*, 815 F.3d 1331 (Fed. Cir. 2016); *SightSound Technologies, LLC v. Apple Inc.*, 809 F. 3d 1307 (Fed. Cir. 2015).
- ²⁷ 856 F.3d 1353 (Fed. Cir. 2017).
- ²⁸ 872 F.3d 1267 (Fed. Cir. 2017).
- ²⁹ 853 F.3d 1316 (Fed. Cir. 2017).
- ³⁰ 859 F.3d 1341 (Fed. Cir. 2017).
- ³¹ See, e.g., *F5 Networks v. Radware, Ltd.*, IPR2017-00124, Paper 24 (November 3, 2017, PTAB); *Bosch Automotive Service v. Matal*, No. 15-1928 (December 22, 2017, Fed. Cir.).
- ³² 35 U.S.C. 311(a) & 321(a), although other IPR provisions create limited bars for specific persons, such as litigation-related bars (§§315(b), 325(a)(1)) and estoppels (§§315(e)(1), 325(e)(1)). Other PTAB *inter partes* proceedings require all participants to have a direct interest in the case. 35 U.S.C. 135(a)(1) (derivation proceedings require the petitioner to be a patent applicant); 35 U.S.C. 135(a) (2012) (patent interferences require the parties to have an application or unexpired patent); Pub. L. 112-29, 125 Stat. 330, sec. 18(a)(1)(B) (covered business method proceedings require the petitioner (or privy) to have been sued for or charged with infringement of the patent).
- ³³ 1 U.S.C. 1 (including “corporations, companies, associations, firms, partnerships, societies, and joint stock companies, as well as individuals”).
- ³⁴ E.g., *Arizonans for Official English v. Arizona*, 520 U.S. 43, 64 (1997).
- ³⁵ *Consumer Watchdog v. Wis. Alumni Research Found.*, 753 F.3d 1258, 1261 (Fed. Cir. 2014) (“[A]lthough Article III standing is not necessarily a requirement to appear before an administrative agency”).
- ³⁶ 845 F.3d 1168 (Fed. Cir. 2017) (by Judge Wallach, with Judges Dyk and Hughes).
- ³⁷ *Id.* at 1170.
- ³⁸ *Id.* at 1173.
- ³⁹ *Id.*
- ⁴⁰ *Id.* at 1173-74.

⁴¹ *Id.* at 1174-75.

⁴² *Id.* at 1170.

⁴³ *Consumer Watchdog*, 753 F.3d at 1262 (no standing). Inter partes reexamination requests can no longer be filed. Pub. L. 112-29, 125 Stat. 304-05, sec. 6.

⁴⁴ 867 F.3d 1246 (Fed. Cir. 2017).

⁴⁵ *Id.* at 1249.

⁴⁶ *Id.* at 1250.

⁴⁷ *Id.*

⁴⁸ *In re Magnum Oil Tools Int'l*, App. 2015-1300 (argued 8 Mar. 2016) (available at <http://oralarguments.cafc.uscourts.gov/default.aspx?fl=2015-1300.mp3>, starting at 14:30), rev'd on other grounds, 829 F.3d 1364 (Fed. Cir. 2016).

⁴⁹ In the 1970's, the PTAB was known as the Board of Patent Appeals and Interferences (BPAI).

⁵⁰ *In re Dien*, 680 F.2d 151 (CCPA 1982).

⁵¹ 35 U.S.C. ch. 30.

⁵² 812 F.3d 1284 (Fed. Cir. 2015).



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