



Perspectives on the PTAB Newsletter

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The Perspectives on the PTAB Newsletter is designed to be a valuable resource for all stakeholders in the global patent arena throughout the patent life cycle. To that end, articles will provide perspectives from both sides of the “v” with an eye toward providing the most current thinking on how to increase return on investment and the value of US patents. Depending on the topic, this 360 degree approach will be explored within an article or across a series of related articles.

This month we tackle three important issues:

1. 325(d) Part II – How Petitioners can mitigate denial under 35 USC 325(d)
2. Effectively finding the right expert
3. SAS v Matal – is the PTAB statutorily required under 35 USC 318 to address all *challenged*, even though not instituted, claims in final written decision ?

We also wanted to provide some insight into the latest PTAB filing trends through discussion of some of the latest PTAB statistics.

While the staff of our Newsletter have plans to explore many issues, we welcome feedback and suggestions to ensure we are meeting the needs and expectations of all our readers. So if you have issues you wish to see explored, please reach out to me.

Thank you.

Best regards,
Jason

Editor:

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The Board Gives Section 325(d) Sharp Teeth—Part II – The Petitioner's Criticality to Selecting and Using The Right Prior Art

By: [Trent W. Merrell](#) and [Jason D. Eisenberg](#)

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Given the rise of §325(d) as a reason for non-institution in the last year, the most critical Petitioner decision is the selection of **the right** prior art. What does “right” mean? Of course, it starts with the best prior art to invalidate claims. But it also means understanding and owning the original prosecution, and any related proceedings, and making sure the petition’s prior art or arguments are (or are not) the same or substantially the same as those previously presented to the Office. OK – what does that mean? The answer: it depends.

In order to better address this question, we have broken down the prior art into the following three categories: (1) prior art that was cited during original Examination and/or during another proceeding at the PTAB; (2) prior art that has a similar disclosure and/or covers substantially the same technology, i.e., the old “new question” and “new light” analysis from reexamination; and (3) prior art cited only on the face of the patent, but not used in any Office action or notice of allowance. Due to certain constraints we will limit our discussion to only these three categories. The analysis below assumes the OLD or NEW PRIOR ART is the only prior art that truly meets the claims.

(1) Using Old Prior Art -- utilized during original Examination and/or during another proceeding at the PTAB – is risky even with new expert testimony.

Old Prior Art is at the most at risk for invoking a § 325(d) denial – but is not fatal when used correctly.

The Board has instituted when the Old Prior Art is combined with a new reference (New Prior Art) that has not yet been before the USPTO. In *Edwards Lifesciences Corp. v. Boston Scientific SciMed, Inc.* [iii], the Board partly granted institution of inter partes review of a patent directed to a stent delivery system. The Board rejected the patent owner’s argument that the petition should be

denied under 35 U.S.C. § 325(d), stating that “we determine that the Petitioner’s and the Examiner’s reliance on [the reference] is substantially different...The Examiner...did not consider whether such a feature may have been obvious...over [the reference] in combination with additional prior art...Thus, in this circumstance, we agree with Petitioner’s contention that such an obviousness analysis was appropriate during prosecution, and remains appropriate now, in this inter partes review proceeding.”

With regard to adding argument in an AIA review through expert testimony, the Board has shifted its view from this being a new argument[iv] to this not being enough to avoid 325(d) denial. For example, the Board denied Grounds despite new expert testimony in *Telebrands Corp. v. Tinnus Enterprises, LLC*.^[v] The Board was “not persuaded that [Petitioner’s Expert] testimony meaningfully distinguishes the record that is before us from the record that was before the Examiner...Thus, weighing these considerations, we determine that facts of this case weigh in favor us exercising our discretion and declining to institute on the obviousness grounds presented in the Petition.”

(2) New Prior Art with the same disclosure as Old Prior Art, without explanation, is also risky.

On October 24, the PTAB designated three cases “informative” on this issue[vi]. Two of the cases include *Cultec Inc. v Stormtech LLC*^[vii] and *Unified Patents Inc. v. John L. Berman*^[viii].

In *Cultec*, the Petitioner, Cultec, challenged a patent that uses a series of corrugations and sub-corrugations in the sheet material to provide large stormwater chambers that have desirable performance and safety factors. Cultec submitted a Third Party Submission in StormTech’s patent application prosecution. The Third Party Submission cited “reference A” for teaching a specific claim element, “Element 1.” In the IPR, Cultec cited “reference B” for teaching Element 1. The Board denied institution under § 325(d) because the Petitioner’s arguments were too similar to the arguments that the examiner had considered during prosecution.

In *Unified Patents*, the Petitioner, Unified Patents, challenged a patent that describes techniques for superimposing images over television scenes. The Board denied institution under asserted § 325(d) because Unified Patents asserted an obviousness combination that included a reference already considered during original prosecution, as well as a second reference that was cumulative of prior art the examiner had likewise considered.

However, not all PTAB panels have denied institution on similar facts. For example in *C&D Zodiac, Inc. v. B/E Aerospace, Inc.*^[ix], the Board partly granted institution on a patent directed to a space-saving aircraft enclosure. In instituting, the Board rejected the Patent Owner’s argument that the petition should be denied under 35 U.S.C. § 325(d). The Board held that “Patent Owner has not shown that the arguments in the Petition were ever previously presented to the Office. . . . It is true that substantially the same arguments and art are raised in the instant Petition as were raised during examination of [the patent], and yet the [the patent] issued. However, it is also true that substantially the same arguments and art were raised in [a related case], and many of the challenged claims of [a related patent] were held unpatentable. Because the challenged claims before us are of similar scope to those held unpatentable in [the related case], we decline to invoke § 325(d) to reject this Petition.”

(3) Old Prior Art – Submitted in IDS but not used by Examiner or PTAB.

If this category is the best prior art available – the risk of denial is substantially reduced. For example, in *Microsoft Corp. v. Parallel Networks Licensing, LLC*^[x], the Board granted institution on a patent directed to a method for managing dynamic Web page generation requests. During an *ex parte* reexamination of the patent, the Patent Owner listed a “Reference C” in an IDS. Later, the Petitioner cited Reference C in a Petition for IPR. The Board found that “the references were not applied against the claims and there is no evidence that the Examiner considered the particular disclosures cited by [the petition].” The Board instituted on the claims in view of Reference C.

Conclusion

The cases summarized above are offered as examples of how past boards have handled the issue

and should not be considered precedential or exhaustive (in fact, the Board cited two as 'informative'). As we detailed in the previous issue, there are an countless nuances that can tilt the scales in favor of either party. While it can be difficult to predict with certainty how a PTAB panel might decide on a §325(d) issue, especially without knowing the specific panel members or the nuances of each fact pattern, experienced PTAB practitioners can help you manage that nuance and ambiguity. As a firm with more PTAB proceedings than nearly any firm, Sterne Kessler has the experience – including time spent researching and studying these issues – to help you navigate the ambiguity around §325(d) denials.

As noted at the outset, the next issues of this newsletter will dive deeper into the considerations of a Patent Owner.

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- [i] *General Plastic Industrial Co. Ltd. v. Canon Kabushiki Kaisha*, IPR2016-01357 (PTAB September 6, 2017) (Paper 15).
 - [ii] *NVIDIA Corp. v. Samsung Elec. Co.*, Case IPR2016-00134 (PTAB May 4, 2016) (Paper 9).
 - [iii] *Edwards Lifesciences Corp. v. Boston Scientific SciMed, Inc.*, IPR2017-01295 (PTAB October 25, 2017) (Paper 9).
 - [iv] *Micron Technology, Inc. v. The Board of Trustees of the Univ. of Ill.*, IPR2013-00008 (PTAB March 13, 2013) (Papers 24 and 59).
 - [v] *Telebrands Corp. v. Tinnus Enterprises, LLC*, PGR2017-00015 (PTAB October 11, 2017) (Paper 16).
 - [vi] The informative designation is a step below precedential, though nonbinding, the rulings will serve as guidance to future PTAB Boards.
 - [vii] *Cultec Inc. v. Stormtech LLC*, IPR2017-00777 (PTAB August 22, 2017) (Paper 7)(informative).
 - [viii] *Unified Patents Inc. v. John L. Berman*, IPR2016-01571 (PTAB December 14, 2016) (Paper 10) (informative).
 - [ix] *C&D Zodiac, Inc. v. B/E Aerospace, Inc.*, IPR2017-01275 (PTAB, Oct. 31, 2017) (Paper 12).
 - [x] *Microsoft Corp. v. Parallel Networks Licensing LLC*, IPR2015-00486 (PTAB July 15, 2015) (Paper 10).

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To complicate things further, the patents being defended and challenged have very different applications—one is an aglet for a desert rock climbing shoe, known to be exposed to high heat, low humidity, and abrasive conditions. The other is directed to a snowboarding boot aglet.

So now you face important questions. Do you need two experts? And how do you choose an expert? There are at least four considerations associated with finding the right expert.

1. Make a wish-list

The first step in selecting an expert is simple – make a wish-list of the ideal traits you want in your expert. This requires answering, or at least thinking about, several questions.

What, and how many, technology spaces are claimed? Consider whether you need multiple experts, based on the variation in technology, including between claims of the same patent. Although *Daubert* seems to come up less at the PTAB, consider how to position yourself so that any expert you choose will survive a *Daubert* challenge.

For our example, think about desired attributes of the eventual selected expert. Are we looking for an expert in aglet design, or perhaps manufacturing processes related to attaching the aglets to the lace themselves? Are we looking for industry or academic expertise, or both? Are we looking for a focused specialist in aglets or a broader expertise in understanding the chemistry, material science, and nanotechnology of aglets. Where is the eyelet going to be (e.g., dress shoe, trail runner, hockey skates, etc.)? Does it matter?

What level of education is required to helpfully explain the technology, and relatedly, how are we

planning to define the person-of-ordinary-skill-in-the-art? If the technology is relatively developed, how will our expert opine on the state-of-the-art at a time where she may not have even been out of undergraduate school?

Do you need an experienced expert with deposition and court appearances, or will a more novice expert work?

2. Identify potential expert types and sources

Once you have a wish-list of what you want in an expert, you need to determine where to look to find it. A good start can be to research publications, patents, and industry groups in the claimed technology space.

For example, one aglet patent may relate to electroplating processes of aglets specifically designed to be applied after the aglet is attached to the lace, involving complex chemistry and manufacturing concerns. The other aglet patent could be focused on shape design for ease of entry into an eyelet on a shoe.

For the first aglet, the complex chemistry may require a high level of education. The latter aglet may be better suited to a manufacturing engineer having hands on experience in a final assembly plant, or an industrial designer focused on customer experience. These experts may travel in vastly different circles, and may lend themselves to different types of searching. Additionally, consider whether you're looking for a generalist or a specialist. For specialist experts, several databases are available to search theses/dissertations. This may provide a list of potential experts to consider that have studied your issue deeply.

3. Consider using an expert service – or two

A helpful shortcut to finding your expert and getting them retained early can be utilizing an expert search service. As a practical matter, it can be helpful to use such a service to ensure quick turnaround, especially if you have a good relationship with the headhunter. You can take steps to make the search consultant's job easier, which will net better results. This includes providing them a list of experts already disqualified, for example based on conflicts, co-counsel or client preference, etc. Coordination with the client and co-counsel is key, and evaluating potential experts and developing the definition of a person of ordinary skill in the art can quickly narrow the list of available experts.

Additionally, provide the expert service your anticipated timeline—it is critical that the expert is available when you need them (e.g., to prepare a declaration, at deposition(s), etc.).

4. Nail the expert interview – gain knowledge and assess quickly

The interview phase needs to include at least three considerations: experience as an expert, substantive background in the technology, and availability now and throughout trial. If an expert has never been deposed before, try to determine whether they have the soft skills needed to be effectively cross-examined. Push them to see how they react to hard questions both substantively and temperamentally. Ask them for some strategy advice for your case to see how they think. Research them – look for skeletons before hiring them. Ask for references.

*

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You now have two experts: Ms. Boot and Dr. Slipper, PhD., to assist on two separate aglet patent cases.

Future newsletters will explore (2) effectively leveraging the experts during declaration drafting and (3) preparing for their deposition (and damage control if it goes awry).

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Question presented

Whether 35 U.S.C. § 318(a), which provides that the Patent Trial and Appeal Board in an inter partes review “shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner,” requires that Board to issue a final written decision as to every claim challenged by the petitioner, or whether it allows that Board to issue a final written decision with respect to the patentability of only some of the patent claims challenged by the petitioner, as the U.S. Court of Appeals for the Federal Circuit held.

What is the case about?

Under current practice, the Board institutes IPR on a claim-by-claim and ground-by-ground basis, after considering the petition and any preliminary response from the patent owner. As a result, the Board may (and sometimes does) institute an IPR on a subset of the claims challenged in the petition. The conflict with § 318 arises because the Board issues a final written decision only on those claims for which review was instituted—i.e., sometimes on less than the number of claims originally challenged in the petition. According to the petitioner SAS, the Board’s practice cannot be squared with § 318.

What happened below?

In this case, the Board’s split final written decision, following partial institution, invalidated 8 petitioned claims while validating 1 petitioned claim. The decision ignored 7 other petitioned claims that were properly presented for review, but where the ground did not meet the standard for review—i.e., a reasonable likelihood of review.

SAS appealed the sole surviving claim, as well as the Board’s failure to issue a final written decision on all petitioned claims. ComplementSoft, the petitioner, cross-appealed the invalidated claims. The Federal Circuit vacated and remanded as to the surviving claim because Board improperly shifted claim construction in its final written decision. The Federal Circuit affirmed the Board in all other respects. Judge Newman dissented, in part, on Board’s refusal to issue a final

written decision addressing all petitioned claims.

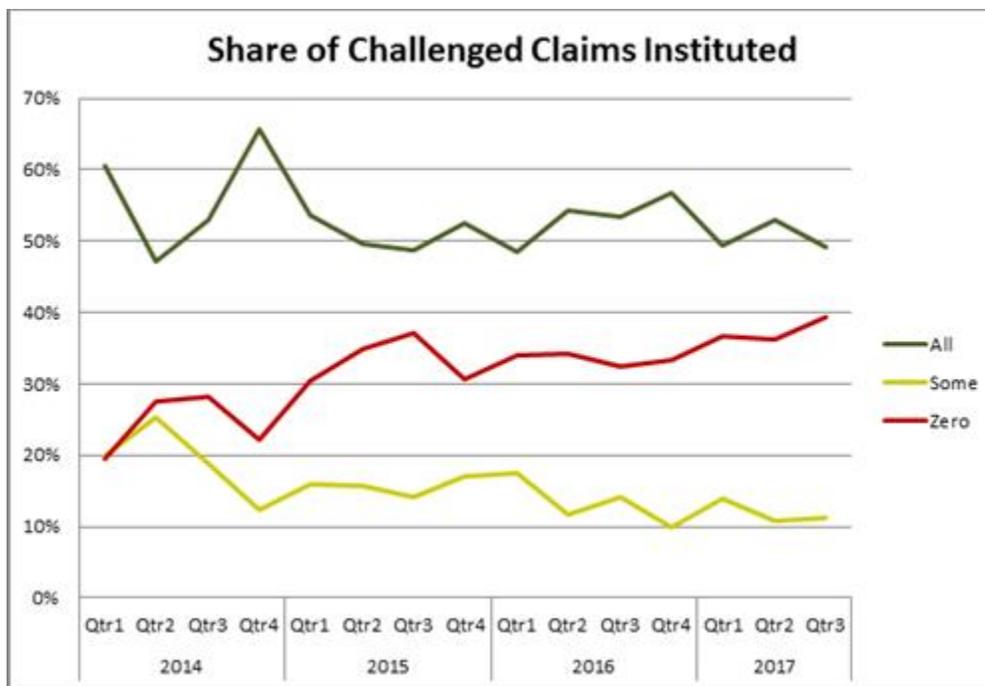
Why is it important?

1. The case could have major implications to the estoppel provisions. Under § 315(e)(2), a petitioner is estopped from arguing that a claim is invalid, in District Court, and in the International Trade Commission, “on any ground that the petitioner raised or reasonably could have raised during that inter partes review.” The estoppel applies *only* where there has been a final written decision, and it is applied on a claim-by-claim basis. So, for claims upon which the Board does *not* institute review, no estoppel applies, and the petitioner is free to challenge those claims in other venues. If the Supreme Court overrules the Federal Circuit, every claim would have to be addressed in the final written decision and would presumably fall under the estoppel provisions. A Supreme Court reversal may also make it more likely for District Court judges to stay cases pending a final written decision.

2. The case could also have a larger impact on administrative law because the U.S. Patent and Trademark Office (PTO) has invoked *Chevron* deference in support of its reading of § 318. *SAS*, on the other hand, says the PTO is not entitled to deference because the AIA clearly states the board must write final decisions on all challenged claims and that the PTO’s policy is not a reasonable interpretation of the statute. Many commentators see the *SAS* case as a potential vehicle for the conservative wing of the Court to further weaken the administrative state.

What practical impact will the case have on the PTAB?

We provide some in-house institution decision statistics below:



As a practical matter, only 10-12% of institution decisions are partial decisions with some claims instituted and some denied. So if the Supreme Court were to overturn the Federal Circuit’s decision in *SAS*, the actual impact on the PTAB workload may be relatively small. Nonetheless, if the decision is retroactive, the PTAB will have to implement procedures to deal those IPRs where it instituted review on less than all of the challenged claims. In the end, if the Court reverses the *SAS* case, much will depend on the relief the court grants to *SAS*.

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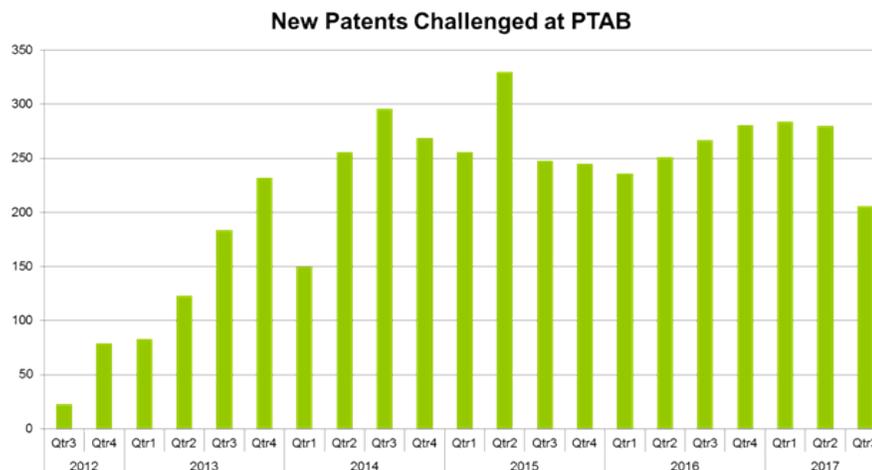


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By counting only the first petition filed against a patent, we are able to observe the number of patents that are newly subject to PTAB scrutiny. This method sets aside any joinder petitions, “second bite at the apple” petitions, or multiple petitions (beyond the first) filed simultaneously against the same patent.

The bars in the chart above count the number of patents each quarter that were never previously attacked via an IPR, CBM, or PGR petition. Through the end of September, there had been 7,558 total PTAB petitions. These petitions challenged 4,580 unique patents – an average of 1.65 petitions per patent. Two-thirds of the patents that have been filed against have been challenged by just one petition. Most patents named in multiple petitions have faced only two separate challenges, but there are three patents that have been challenged over 20 times.

Overall, 392 petitions were filed in the third quarter of 2017, making it the least active quarter for PTAB petition filings since the first quarter of 2016. While 2017 as a whole remains on pace to be the most active year for petition filings in the history of the PTAB, the quarter-to-quarter declines in

both the raw number of petitions filed as well as the number of new patents challenged merit watching as we look to the future of PTAB activity levels in 2018 and beyond.

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