

CHARTING THE COURSE OF THE PTAB
WEB CONFERENCE SERIES

What Makes the PTAB So Hot Right Now?

August 13, 2015

FOLEY
FOLEY & LARDNER LLP

©2015 Foley & Lardner LLP • Attorney Advertising • Prior results do not guarantee a similar outcome • Models used are not clients but may be representative of clients • 321 N. Clark Street, Suite 2800, Chicago, IL 60654 • 312.832.4500 15.11398

Speakers

Jeff Costakos
Vice Chair, IP Litigation Practice
Partner, Patent Office Trials Practice

George Quillin
Chair, Patent Office Trials Practice
Partner, IP Litigation Practice

©2015 Foley & Lardner LLP 2 15.11398

PTAB is still a favorable forum for petitioners



- Most recent stats confirm that PTAB is invalidating claims at a high rate
 - While at the same time not permitting amendment of the claims
 - Not surprisingly, IPRs continue to be a popular vehicle for accused infringers

PTAB is indeed hot



“Since IPRs were created, they have rapidly become a popular vehicle for challenging the validity of issued patents.”

Microsoft Corp. v. Proxycorr, Inc., 2015 WL 3747257 (Fed. Cir. June 16, 2015)

Recent PTAB Stats



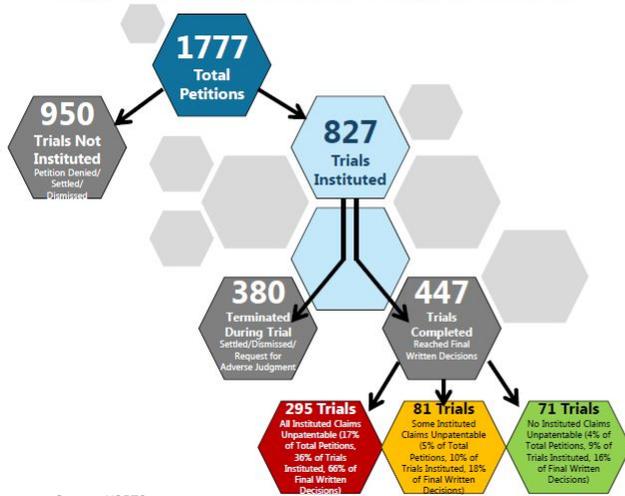
©2015 Foley & Lardner LLP

5
15.11.398

Most recent PTAB IPR stats



Disposition of IPR Petitions Completed to Date*



Narrative:

This graph shows a stepping stone visual depicting the outcomes for all IPR petitions filed to-date that have reached a final disposition.

*Data current as of: 7/31/2015

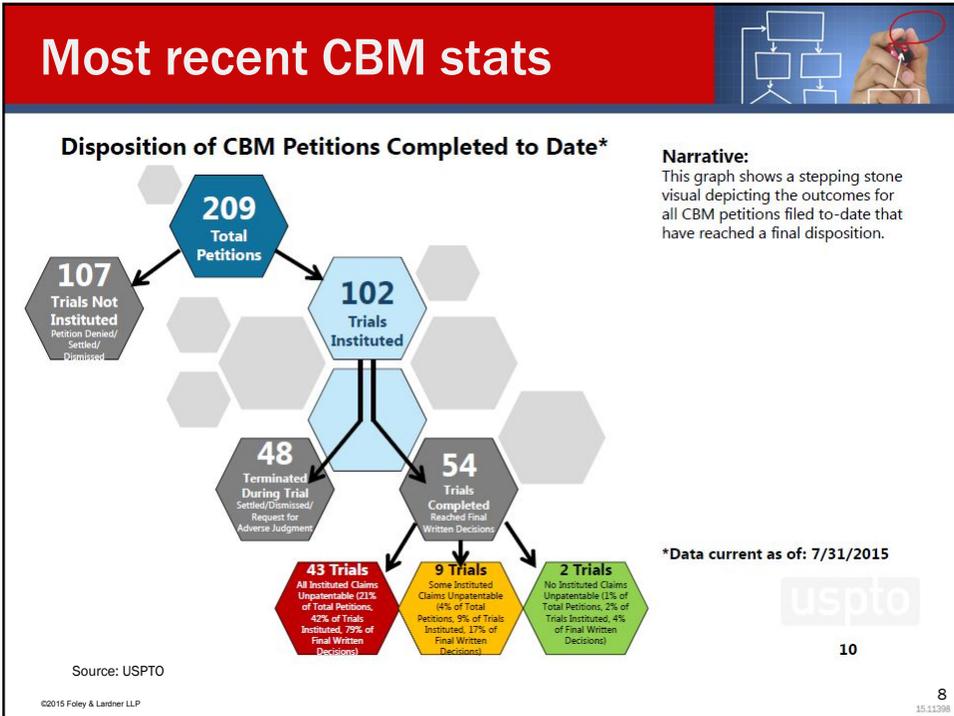
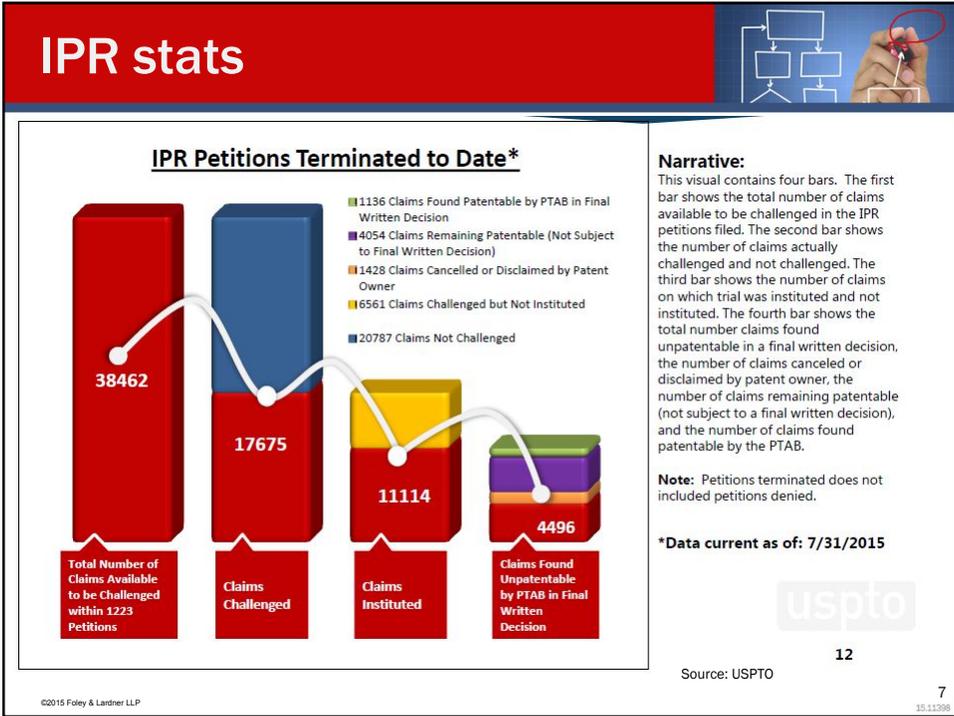


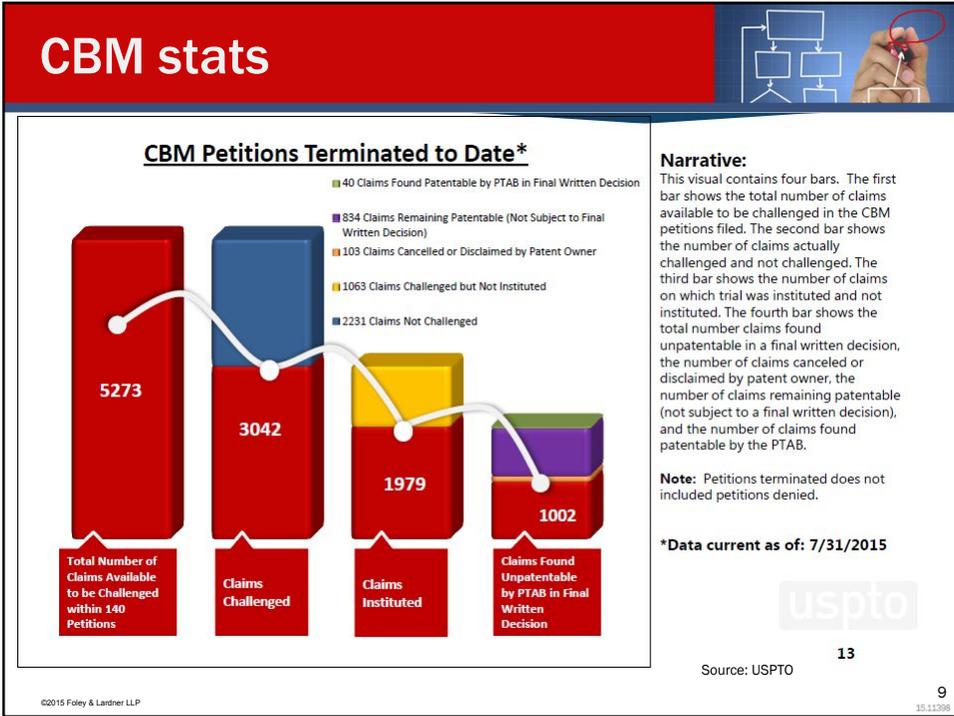
Source: USPTO

9

©2015 Foley & Lardner LLP

6
15.11.398





Recent Developments Regarding Denials of Petitions

10

©2015 Foley & Lardner LLP

Focus of recent petition denials



- **RPIs not properly identified**
 - PTAB more often granting discovery on RPI/privity issue
- **Too little analysis/too much reliance on expert declaration or claim charts**
 - PTAB looking for detailed explanation of rationale to combine
 - Typically unwilling to credit “conclusory” statements from experts
 - Sensitivity to incorporation by reference
 - One denial based in part on length of expert declaration and accompanying exhibits, and improper incorporation by reference of arguments in the declaration. (*Apple, Inc. v. ContentGuard Holdings, Inc.*, IPR2015-0449 (July 15, 2015))
- **Failure to prove inherency**
- **Failure to construe important claim terms**
- **Failure to prove prior art is a printed publication**

©2015 Foley & Lardner LLP

11

15.11.2015

Denials under § 325(d)



- **PTAB is often denying *second* petitions by the same petitioner under § 325(d)**
 - Even when new art is applied, PTAB considers this to be “substantially the same” art and argument
 - Asks why arguments could not have presented in initial petition
- **However, the PTAB is not denying *initial* petitions under § 325(d) based on argument that the prior art was considered during prosecution**
 - *E.g., NuVasive Inc. v. Neurovision Medical Products, Inc.*, IPR2015-00502 (July 16, 2015)
 - Exception: PTAB recently denied petition based on same art being raised in inter partes reexam in which patent owner had amended the claims at issue. *Intramedic Co., Ltd. v. Given Imaging Ltd.*, IPR2015-00579 (Aug. 5, 2015) (“Based on the particular factual circumstances of this proceeding, including the fact that the only claim being challenged by Petitioner has been amended in the reexamination, the advanced stage of the reexamination involving the same parties, and the balance of potential prejudice to the parties, we exercise our discretion under 35 U.S.C. § 314(a) and 37 C.F.R. § 42.108(b) and decline to institute an *inter partes* review.”)

©2015 Foley & Lardner LLP

12

15.11.2015

Motions to Amend



©2015 Foley & Lardner LLP

13
15.11.398

Motion to amend



“Patentees . . . deserve certainty and clarity in the requirements that they are expected to meet.”

Microsoft v. Proxyconn, slip op. at 24.

Nevertheless, OK for Board to choose “adjudication over rulemaking” for interpretation of its regulations on motion to amend. *Id.* at 25.

©2015 Foley & Lardner LLP

14
15.11.398

MasterImage clarifies *Idle Free*



Last month, an expanded panel of the Board made “three points of clarification” regarding *Idle Free*:

- “prior art of record”
- “prior art known to the patent owner”
- petitioner has burden of production

MasterImage 3D v. Reald, Inc., IPR2015-00040

Prior art of record



In *Idle Free*, phrase “prior art of record” refers to:

- any material art in prosecution history
- any material art of record in current proceeding, including art asserted in grounds on which the Board did not institute trial
- any material art of record in any other proceeding before the PTO involving the patent

Art known to patent owner



In *Idle Free*, the phrase “prior art known to the patent owner” should be understood as

- “no more than the material prior art that Patent Owner makes of record in the current proceeding pursuant to its duty of candor and good faith to the Office.”
- initially emphasize each added limitation
- info about added limitation can still be material even though not include all claim limitations

Petitioner’s burden



- Petitioner has burden of production after patent owner makes *prima facie* case of patentability of amended claims.
- In its opposition, petitioner may explain why patent owner failed to make a *prima facie* case; rebut the *prima facie* case, or apply additional art .
- Ultimate burden of persuasion remains on patent owner, as movant, to show patentability of amended claims.

PGRs Are Starting to Heat Up



©2015 Foley & Lardner LLP

19
15.11.398

Heating up – PGR



For first-to-file patents, the AIA has a proceeding in addition to an IPR, the post-grant review or PGR. Unlike an IPR, which is limited to attacks based on patents or printed publications, a PGR may attack based on prior use or sale.

Just last week, the Board issued an institution decision in *Netsirv v. Boxbee, Inc.*, PGR2015-00009, requiring corroboration of testimony alleging prior public use or sale.

©2015 Foley & Lardner LLP

20
15.11.398

PGR – Corroboration of use



- The Board in *Netsirv* faced an issue of first impression, whether testimony of witnesses alleging prior public use must be corroborated
- Board analogized to interference proceedings
- Whether corroboration is sufficient is evaluated under a “rule of reason” analysis
- In *Netsirv*, there was no corroboration, so Board denied institution on asserted prior art grounds (though it did institute on § 101)

©2015 Foley & Lardner LLP

21
15.11.2015

Nuances of PTAB Practice Compared to District Court Litigation



©2015 Foley & Lardner LLP

22
15.11.2015

Secondary considerations



■ The PTAB rarely allows discovery concerning secondary considerations, such as commercial success or copying

- *E.g., Arctic Cat v. Polaris Industries, Inc.*, IPR2014-01427 (July 17, 2015) (“The burden is on Petitioner, as the moving party, to show persuasively that the requested information would be of use or relevance in this proceeding. Information that is useful for ‘exploring’ testimony is not information that has a clear use; rather, it only has a possible use, depending on what that information in fact describes. As we are unclear as to the underlying basis for which the requested documents would be useful to Petitioner or relevant to this proceeding, Petitioner has not met its burden.”)
- See also *Intri-Plex Techs., Inc. v. Saint-Gobain Performance Plastics Rencol Ltd.*, IPR2014-00309, Paper 40 at 7; *Microsoft Corp. v. Proxyconn, Inc.*, IPR2012-00026, Paper 32 at 6; *Palo Alto Networks, Inc. v. Juniper Networks, Inc.*, IPR2013-00369, Paper 36; *Schott Gemtron Corp. v. SSW Holding Co., Inc.*, IPR2013-00358, Paper 43.

■ As a result

- Difficult without discovery to show commercial success when based on the petitioner’s sales
- PTAB may not be able to determine whether petitioner’s product is covered by the claims at issue
- Harder to challenge assertions of commercial success made by patent owner

Secondary considerations



■ PTAB requires strong showing of nexus

- *Digital Ally, Inc. v. Utility Associates, Inc.*, IPR2014-00725 (July 27, 2015) (“The mere existence of a license, without showing a nexus to the merits of the invention, is insufficient to overcome a conclusion of obviousness. *In re Antor Media Corp.*, 689 F.3d 1282, 1293–94 (Fed. Cir. 2012). Here, Patent Owner identifies the existence of a license covering a variety of intellectual property rights, including the ‘556 patent, and simply speculates that the ‘556 patent was important to the licensee. PO Resp. 45. That alone is insufficient to overcome the evidence of obviousness set forth by Petitioner. *Antor Media*, 689 F.3d at 1293–94.”)
- *Kyocera Corporation Motorola Mobility, Inc. v. Softview LLC*, IPR2013-00007, -00256 (March 27, 2014) (“Patent Owner also has not established that the subject matter of the ‘353 claims, rather than Apple’s extensive distribution network and marketing presence are the reason the iPhone and similar devices have been a success.”)
- *Microsoft v. Proxyconn, Inc.*, IPR2012-00026 (Mar. 8, 2013) (In order to establish a proper nexus, the patent owner must offer proof that the sales were a direct result of the unique characteristics of the claimed invention – as opposed to other economic and commercial factors unrelated to the quality of the patented subject matter.)
- *Cardiocom, LLC v. Robert Bosch Healthcare Systems, Inc.*, IPR2013-00431 (January 15, 2015)

■ But see:

- *Intri-Plex Techs., Inc. v. Saint-Gobain Performance Plastics Rencol Ltd.*, IPR2014-00309 (March 23, 2014) (finding both that patent owner had shown nexus between claimed invention and commercial success and that petitioner had copied claimed invention)

Treatment of experts and declarants



■ Scope of discovery

- Unclear whether PTAB is following Fed R. Civ. P. 26(b)(4) with respect to draft expert declarations and attorney communications
- Depositions of declarants ordinarily must take place in the US. *HTC Corp. v. NFC Technology, LLC*, IPR2014-01198 (July 31, 2015) (“Patent Owner asserts that ‘[a] former employee declarant with relevant knowledge should not be forced to choose between voluntarily providing evidence and international travel that interferes with his employment and family.’ PO Mot. 1. Nevertheless, as noted above, Mr. Lepron apparently is not unwilling to travel to the United States, just to have his deposition taken here.”)
- PTAB decided that it could not, on a motion to exclude, strike an expert’s declaration based on his alleged evasiveness at his deposition. *Juniper Networks, Inc. v. Brixham Solutions, Ltd.*, IPR2014-00425 (July 27, 2015)

Level of skill in the art



■ No express determination of level of skill in the art is required.

- *Juniper Networks, Inc. v. Brixham Solutions, Ltd.*, IPR2014-00425 (July 27, 2015) (“Here, Patent Owner has not proposed a level of ordinary skill, and Petitioner has not provided a sufficient explanation as to how its specific proposal regarding the level of ordinary skill (for example, the importance of the inclusion of ‘at least’) affects the analysis in this case. Therefore, we find the level of ordinary skill in the art to be reflected in the cited references and we determine that no express statement of the level of ordinary skill in the art is required.”)

Expert reports



■ Cannot incorporate by reference arguments from expert report

- *Juniper Networks, Inc. v. Brixham Solutions, Ltd.*, IPR2014-00425 (July 27, 2015) (“Petitioner has cited to [two declarations of its expert] (Ex. 1003) and ... (Ex. 1027). Ex. 1003 is 185 pages long, with 777 paragraphs, and Ex. 1027 is 35 pages long, with 109 paragraphs, and a 49 page appendix. Pursuant to 37 C.F.R. § 42.6(a)(3), we have not considered any of Petitioner’s arguments made solely on the basis of incorporation by reference from Exs. 1003 and 1027.”)
- See also *Apple, Inc. v. ContentGuard Holdings, Inc.*, IPR2015-0449 (July 15, 2015) (denying petition, in part, on this basis)

Expert qualifications



■ Expert need not be a POSITA

- *Wavemarket Inc. d/b/a Location Labs v. LocatioNet Systems Ltd.*, Case IPR2014-00199 (July 29, 2015) (“As explained in the Final Written Decision, Patent Owner does not direct us to binding authority sufficient to support its argument that in order for expert testimony to be admissible, the expert must be a person of ordinary skill in the art.”)
- *A.C. Dispensing Equipment Inc. v. Prince Castle LLC*, Case IPR2014-00511 (Aug. 4, 2015) (“To testify as an expert under FRE 702, a person need not be a person of ordinary skill in the art, but rather ‘qualified in the pertinent art.’ *Sundance, Inc. v. DeMonte Fabricating Ltd.*, 550 F.3d 1356, 1363-64 (Fed. Cir. 2008); see *SEB S.A. v. Montgomery Ward & Co.*, 594 F.3d 1360, 1372-73 (Fed. Cir. 2010); *Mytee Prods., Inc. v. Harris Research, Inc.*, 439 Fed. App’x 882, 886-87 (Fed. Cir. 2011) (non-precedential) (upholding admission of the testimony of an expert who ‘had experience relevant to the field of the invention,’ despite admission that he was not a person of ordinary skill in the art).”)

Expert qualifications



■ Expert need not be a POSITA

- *Kinik Company v. Chien-Min Sung*, IPR2014-01523 (Aug. 5, 2015) (“Patent Owner . . . request[s] permission to file a motion to exclude [petitioner’s] expert testimony on the grounds that [the] expert lacks both industrial and academic experience to qualify as an expert in the field of CMP Pad dresser. . . Patent Owner’s reasons for seeking to file the motion to exclude appear to go to the credibility of and the proper weight to be accorded the testimony of Petitioner’s expert, and not its admissibility. The Board is capable of assessing credibility without excluding such testimony, and thus the proper place for such arguments is in substantive pleadings, e.g., the Patent Owner Response, and not a motion to exclude. Furthermore, Patent Owner has already had the additional opportunity to bring to the Board’s attention any credibility issues concerning the Petitioner’s expert via cross-examination, and will have a further opportunity to comment on the matter at oral hearing.”)

■ Compare:

- *Sloan Valve Co. v. Zurn Ind., Inc.*, Civ. No. 10-cv-00204 (N.D. Ill. Nov. 18, 2013) (“The majority of [expert’s] opinions regarding obviousness are based on the perspective of a POSITA. Because he is not a POSITA, he is not qualified to give these opinions.”)

©2015 Foley & Lardner LLP

29

15.11.2015

Evidentiary rulings



■ Federal Rules of Evidence apply to pre-institution discovery issues.

- *Stryker Corp. v. Karl Storz Endoscopy-America, Inc.*, IPR2015-0677 (July 31, 2015) (applying rule of completeness (Fed. R. Evid. 106) to petition, and allowing patent owner to submit additional material that rebutted assertions of petitioner’s declarant)

■ Fed. R. Evid. 807

- *Intri-Plex Technologies, Inc., v. Saint-Gobain Performance Plastics Rencol Limited*, IPR2014-00309 (March 23, 2014) (“As we understand his testimony, the information that Mr. Schmidt acquires in interfacing with customers is relied on by Intri-Plex in making business decisions to assist Intri-Plex in serving its customers. We determine that the information Mr. Schmidt has obtained, while it may be hearsay in character, contains circumstantial guarantees of trustworthiness and appears to be more probative on the point for which it is offered than any other evidence that Intri-Plex could have obtained through reasonable efforts. Under the circumstances, we will admit Mr. Schmidt’s testimony under Fed. R. Evid. 807 as best serving the purposes of the Rules of Evidence. We will consider Saint-Gobain’s objections to the reliability of this testimony as going to the weight, rather than the admissibility, of the evidence.”)

©2015 Foley & Lardner LLP

30

15.11.2015

Appellate Review



©2015 Foley & Lardner LLP

31
15.11.398

Appellate review of PTAB decisions



- **The Federal Circuit has reviewed about 20 separate final written decisions to date**
 - All but one PTAB final decision upheld to date (*Microsoft v. Proxycorr*), including several where the PTAB rejected patentability challenge
 - Only four written opinions; remainder have been Rule 36 affirmances
 - Application of BRI claim construction standard confirmed (*In re Cuozzo* (en banc review denied))
- **Federal Circuit review of institution decisions**
 - PTAB Institution Decisions NOT reviewable on appeal (*GEA Process Eng. v. Steuben Foods*)
 - CAFC left open possibility of mandamus challenge if PTAB were to clearly exceed its authority

©2015 Foley & Lardner LLP

32
15.11.398

Potential New Rules



©2015 Foley & Lardner LLP

33
15.11.398

Second rule change package



- To be proposed this summer
- Under consideration
 - Adjustments to the evidence that can be provided in a patent owner preliminary response
 - Changes to the motion to amend practice to reduce the burden on the patent owner
 - Patent owner must distinguish only over the art of record
 - A substitutionary amendment would always be entered

©2015 Foley & Lardner LLP

34
15.11.398

Second rule change package



■ Under Consideration

- Relax the standard for discovery on real-party-in-interest issues
- “Fresh Eyes” approach – The petition would be decided by a single APJ. Additional APJs would be added to the panel if the petition is granted to reduce bias in the panel
- Live testimony at hearings would be allowed

©2015 Foley & Lardner LLP

35

Live and videotaped testimony at final hearing



■ PTAB Chief Judge Smith has suggested the Board was open to allowing live testimony

- The PTAB allowed live testimony in one case where credibility was at issue. IPR2013-00203
- But PTAB has denied requests for live testimony at the hearing where it did not believe live testimony was necessary
 - *E.g., ION GeoPhysical Corp. v. WesternGeco LLC*, 2015IPR-00565 (July 16, 2015) (“[A]ssessing [the witness’s] demeanor during live direct and cross-examination cannot change the facts of his employment and therefore would provide little, if any, help to the Board in determining the appropriate weight to give his testimonial evidence as to secondary considerations. We are, therefore, not persuaded that [the witness’s] live testimony at the oral hearing would further the efficient administration of these proceedings or is necessary in the interest of justice.”)
- And the PTAB has denied requests to submit video testimony at the final hearing. *Nichia Corp. v. Emcore Corp.*, IPR2012-00005 (Nov. 13, 2013)

©2015 Foley & Lardner LLP

36

Trap for the unwary



- *Olympus America Inc. v. Perfect Surgical Techniques, Inc.*, IPR2014-00233 (denying motion to exclude evidence as untimely filed)
- Parties bound by stipulated due date even if it falls on a holiday
- 35 U.S.C. § 21(b) and 37 CFR 1.7(a) do not apply to stipulated date
- PRPS “accepts filings twenty-four hours a day and seven days a week”

©2015 Foley & Lardner LLP

37
15.11.2015

Thank you for attending



- Are you interested in hearing more about PTAB proceedings? Subscribe today to our new PTAB blog – PTAB Trial Insights at...

<http://www.ptabtrialinsights.com/>

©2015 Foley & Lardner LLP

38
15.11.2015