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Patent Public Advisory Committee Quarterly Meeting

PTAB Update

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November 9, 2017

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Overview

- Multiple Petitions Study
- Recent PTAB Precedential and Informative Decisions
- Motion to Amend and *Aqua Products*
- SOP 9 on Remands
- SOP 1 on Expanded Panels
- Ongoing Developments
- Open Discussion

Multiple Petition Study

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Methodology

- Comprehensive review of all IPR, PGR, and CBM petitions filed on or before 6/30/2017

- Covers 7,168 petitions and their associated:
  - 4,376 patents;
  - 1,633 patent owners; and
  - 1,423 petitioners

- Relied upon metadata from a PTAB database that identified parties, filings, and milestones

- Additional data was gathered manually to identify claim information (e.g., challenged, instituted) and to determine if the petitioner was a defendant in an associated district court litigation

Multiple Petition Study Questions

- ***Question 1***: Do IPRs represent a significant proportion of the U.S. patent litigation landscape?
- ***Question 2***: How many petitioners challenge patents?
- ***Question 3***: How many petitions are filed against each patent?
- ***Question 4***: Do petitioners often "wait and see" what the Patent Owner says in its Preliminary Response or the Board says in a decision on institution?
- ***Question 5***: Who are the petitioners filing petitions after the Board issues a decision on institution?
- ***Question 6***: How often have petitioners been able to use the Board's institution decision to inform another petition?
- ***Question 7***: What is the institution rate counting by patent versus counting by petition?
- ***Question 8***: What is the ultimate outcome by patent versus the ultimate outcome by petition?

Question 1: Where does the PTAB fit into the U.S. patent litigation landscape?

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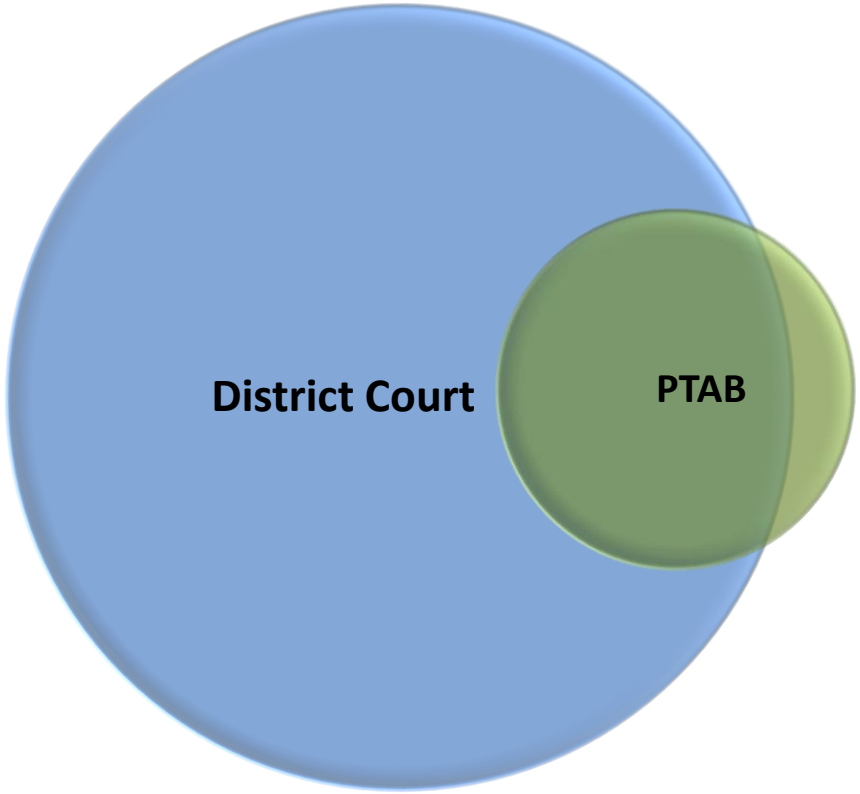
Jurisdiction of Patent Challenges

Jurisdiction of Patent Challenge



- Approximately 85% of IPRs in Fiscal Year 2017 have a co-pending district court case

- Less than a fifth of district court cases involve patents that are challenged in an IPR

Data sourced from Lex Machina PTAB Report 2017

Question 2: How many petitioners file challenges against each patent?

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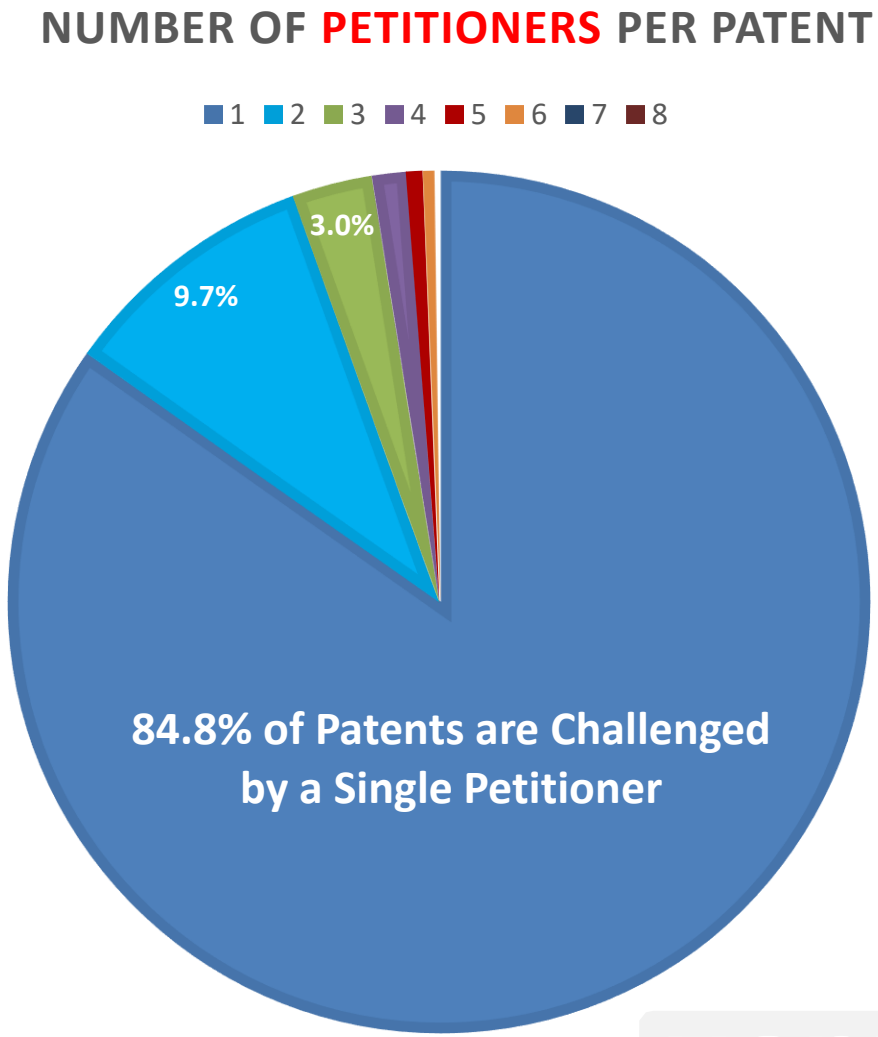
Multiple Petition Study

Petitioners Per Patent

No. of Petitioners vs. Patent	No. of Patents	% Patents
1	3711	84.8%
2	424	9.7%
3	132	3.0%
4	59	1.3%
5	28	0.6%
6	17	0.4%
7	2	<0.1%
8	3	<0.1%
Total	4376	100%



Data Through 6/30/17
Percentages may not add to 100% due to rounding

Question 3: How many petitions are filed against each patent?

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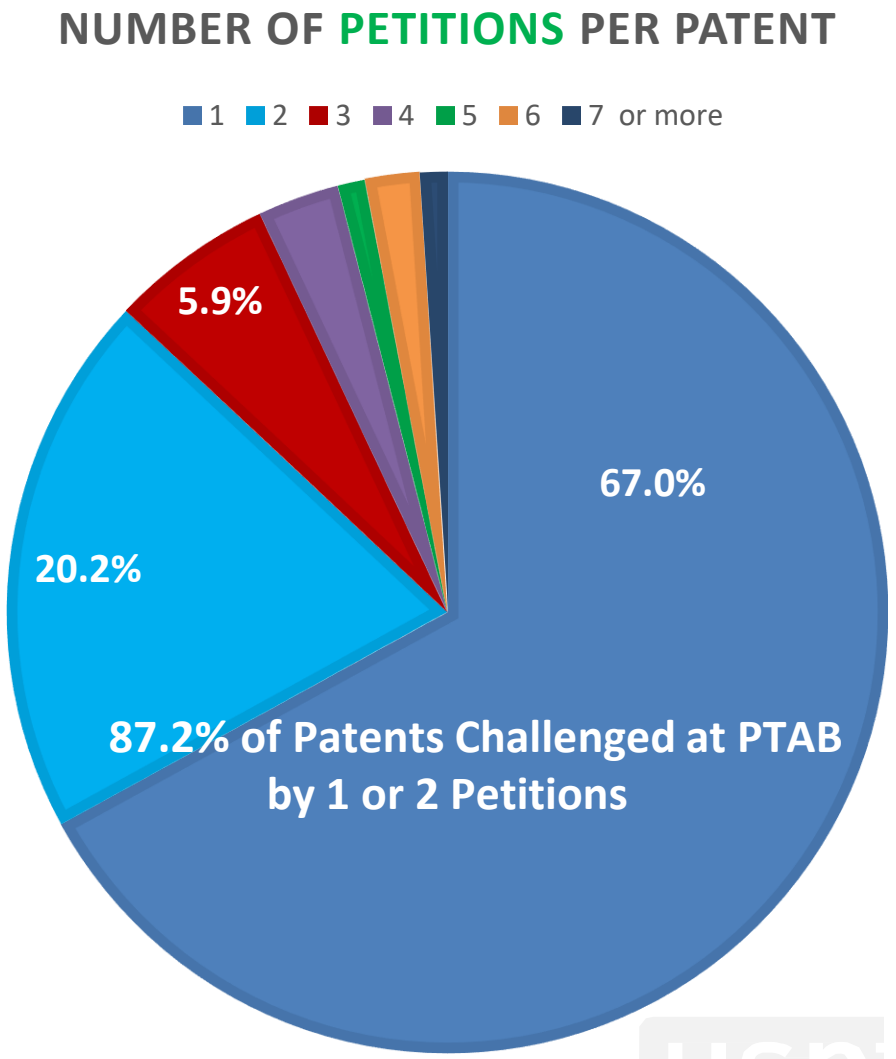
Multiple Petition Study

Petitions Per Patent

No. of Petitions per Patent	Patents	% of Total
1	2932	67.0%
2	885	20.2%
3	256	5.9%
4	142	3.2%
5	54	1.2%
6	52	1.2%
7 or more	55	1.3%
Total	4376	100%



Data Through 6/30/17

Question 4: If more than one petition is filed against a patent, when are the additional petitions filed?

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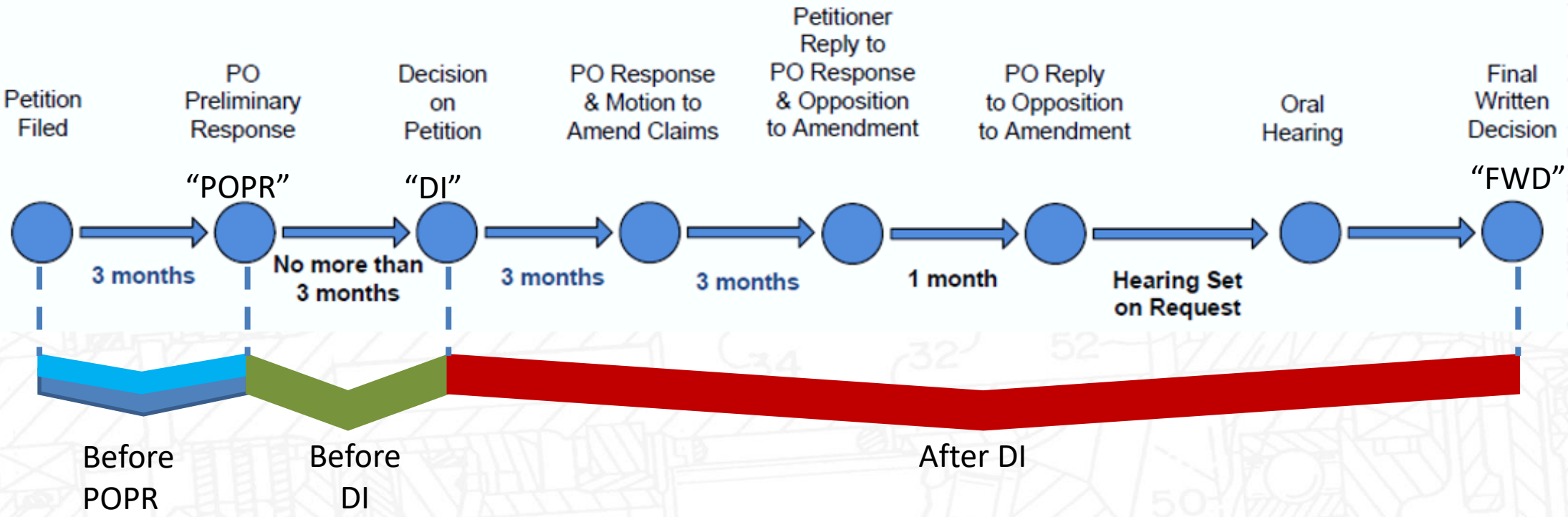
When Petitions Are Filed



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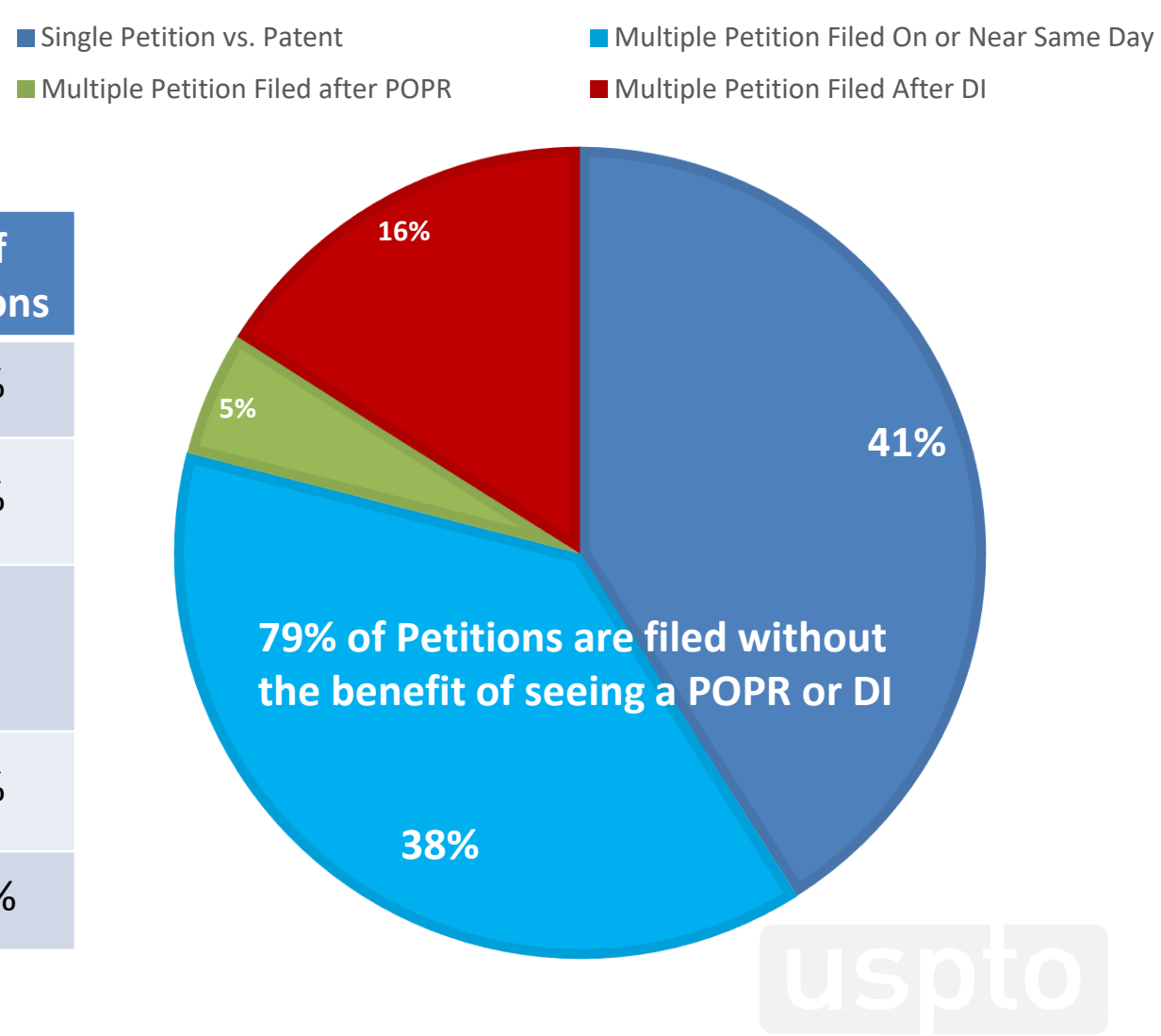
Multiple Petition Study

When Petitions are Filed

Timing of Petition	No. of Petitions	% of Petitions
Single Petition Filed	2932	41%
Multiple Petitions Filed On or Near Same Day	2685	38%
Multiple Petitions Filed After POPR, But Before DI	381	5%
Multiple Petitions Filed After DI	1170	16%
Total	7168	100%



Data Through 6/30/17

Question 5: Who are the petitioners filing these petitions?

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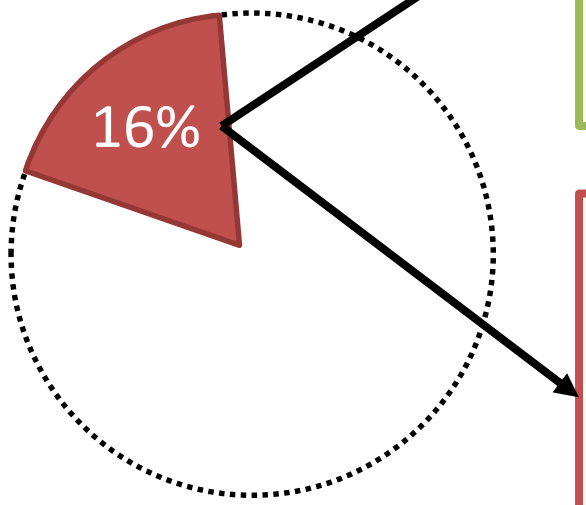
Multiple Petition Study

Who are post-DI Petitioners?

- 16% of all petitions are filed after a DI
- A random sample of the 1054 petitions filed after DI as of 3/1/17* was taken
- The sample included 169 petitions, and the results were found to be statistically significant, such that we can use the sample (169 petitions) as an estimate of the whole (1054 petitions).



9-10% of petitions filed by:

- Defendant-Petitioner; or
- Same or Different Petitioner
  - Filing due to a change in litigation; or
  - Seeking to join existing trial as a party

6-7% of petitions filed by:

- Non-Defendant Petitioner; or
- Same Petitioner
  - Filing not due to change in litigation; and
  - Not seeking party joinder

*Random sample taken on 3/1/17 using data through 2/28/17

Question 6: How often do individual Petitioners file additional rounds of petitions after receiving a decision on institution?

- *A "round" is all petitions filed before receiving a DI on one of those petitions*

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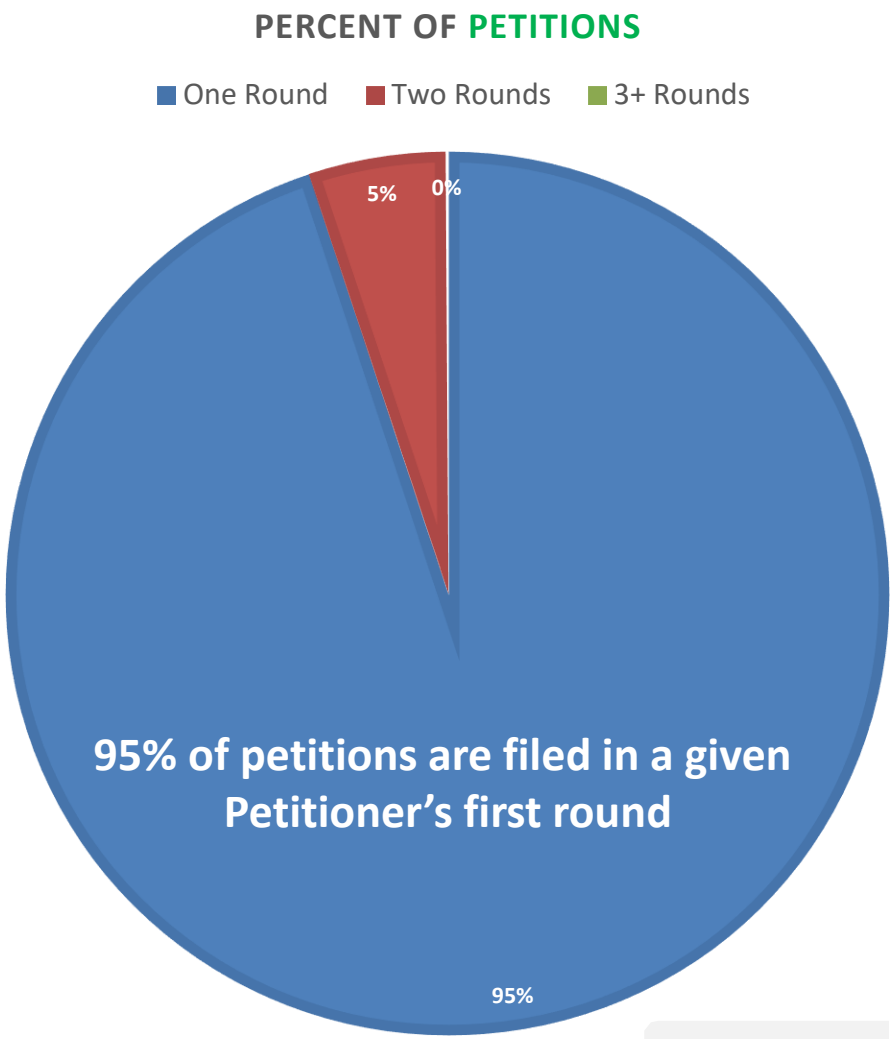
Multiple Petition Study

Rounds of Petitions

- *95% of petitions are filed in a given petitioner's first round*
- *A "round" is all petitions filed before receiving a DI on one of those petitions*

Rounds of Petitions	No. of Petitions	% of Petitions
First Round of Petitions	6481	95%
Second Round of Petitions	369	5%
Third or Fourth Round of Petitions	7	<0.1%
Total	6857*	



Data Through 6/30/17

*Not included are 311 Petitions filed where a request to join as a party to another proceeding was granted

Question 7: What is the institution rate counting by patent versus counting by petition?

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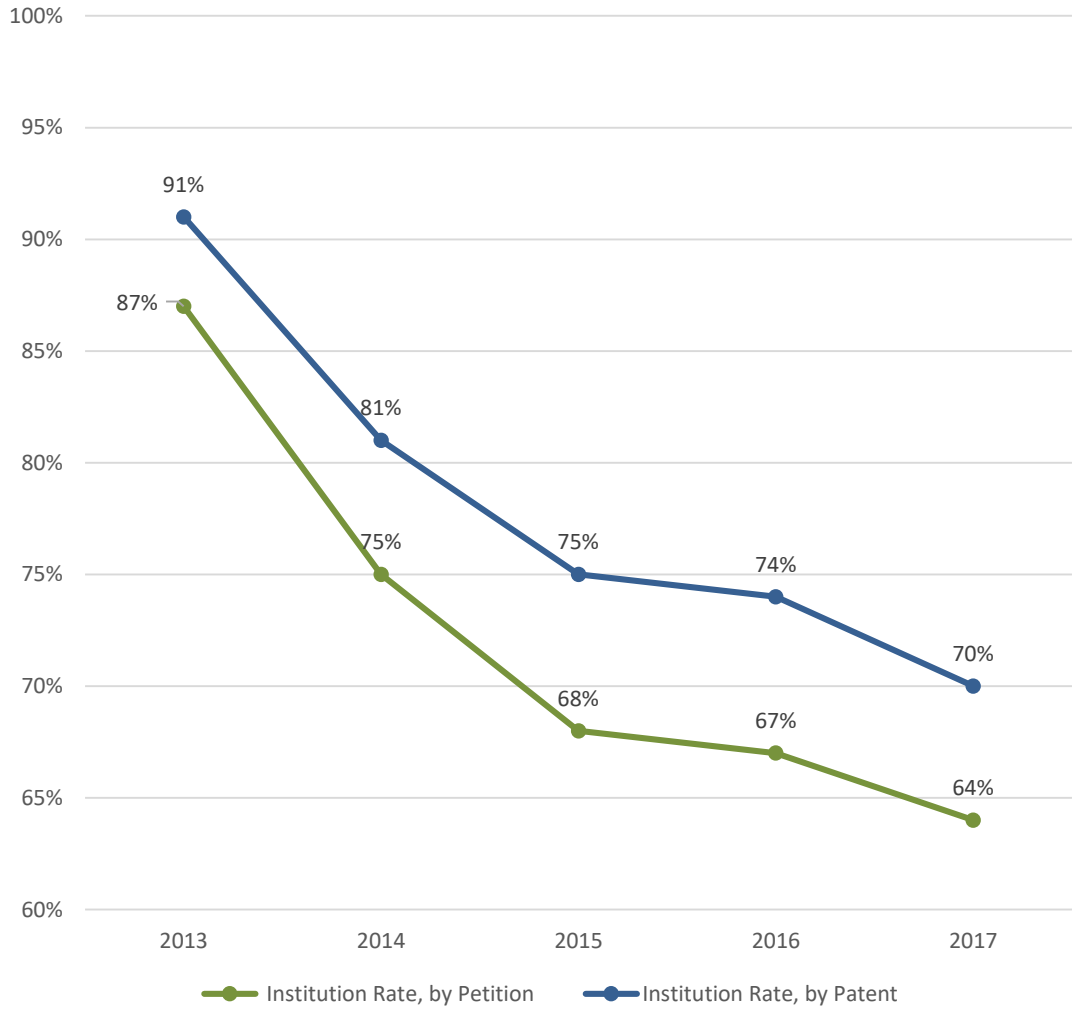
Multiple Petition Study

Institution Rate

- *Institution rate as measured by patent is only slightly higher than the institution rate as measured by petition*

- *"By patent" accounts for whether any one petition against particular patent is instituted*
  - *Example against Patent A:*
    - *Petition 1 instituted*
    - *Petition 2 not instituted*
    - *Net result = 100% institution rate*

- *"By petition" accounts for whether a particular petition was instituted; publicly reported monthly*
  - *Example against Patent A*
    - *Petition 1 instituted*
    - *Petition 2 not instituted*
    - *Net result = 50% institution rate*



Data Through 6/30/17

Question 8: What is the ultimate outcome by patent versus the ultimate outcome by petition?

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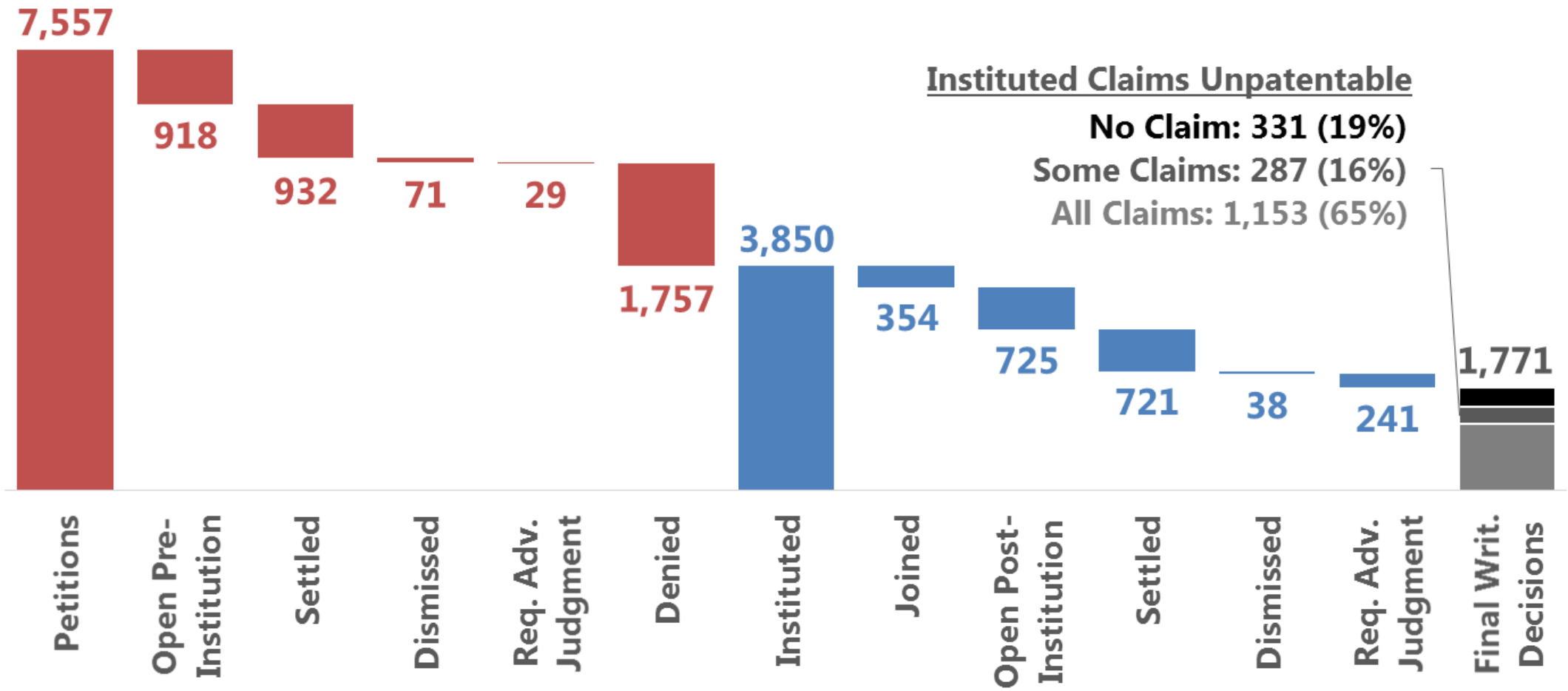
Status of Petitions
(All Time: 9/16/12 to 9/30/17)

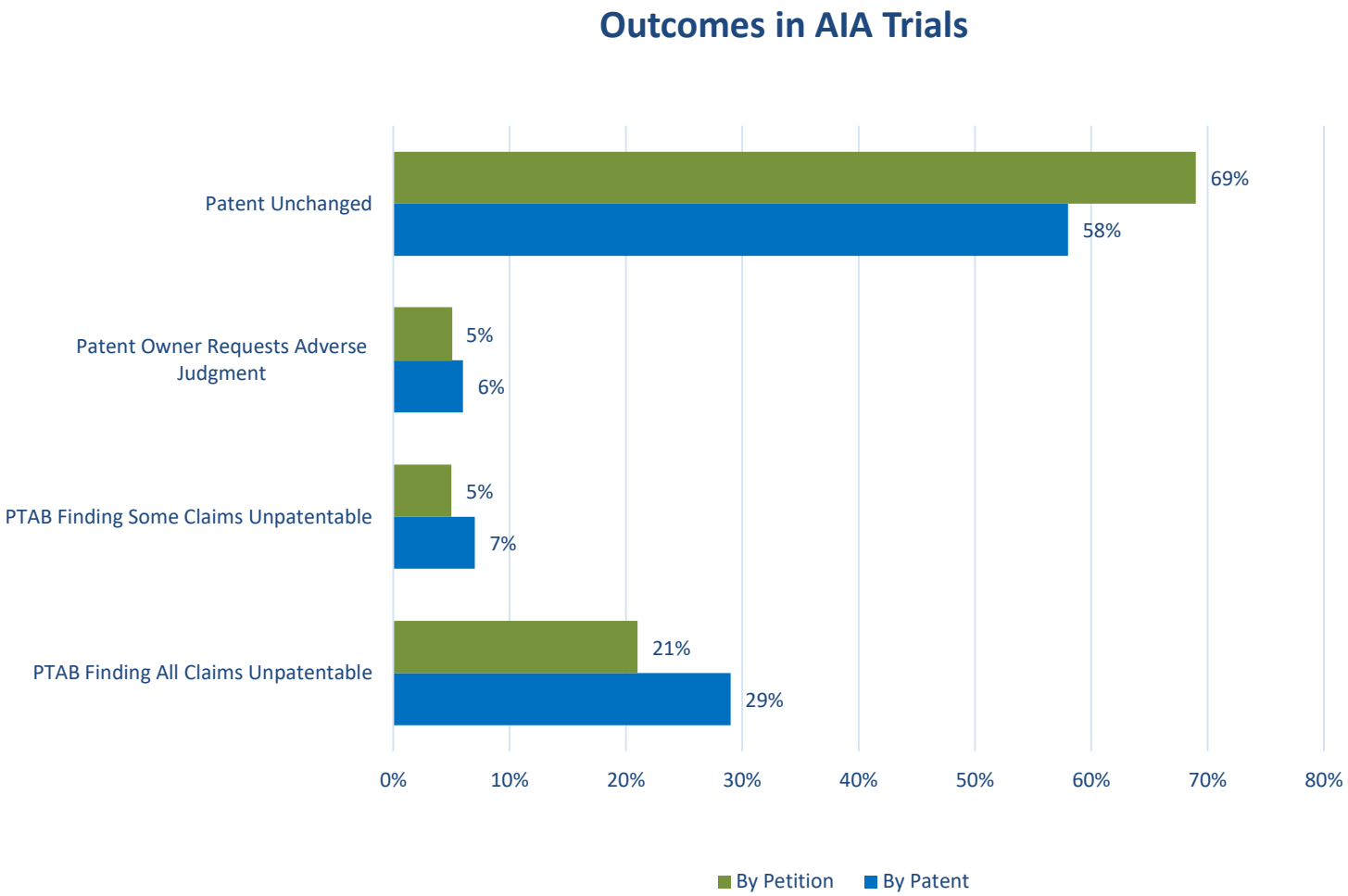


These figures reflect the latest status of each petition. The outcomes of decisions on institution responsive to requests for rehearing are incorporated. Once joined to a base case, a petition remains in the Joined category regardless of subsequent outcomes.

Multiple Petition Study

Ultimate Outcome

- *69% of all petitions result in a patent being unchanged; 58% of patents are unchanged at the end of one or more AIA proceedings*
- *"By patent" accounts for whether any one petition against particular patent results in any unpatenable claims*
- *"By petition" accounts for whether a particular petition results in any unpatentable claims*



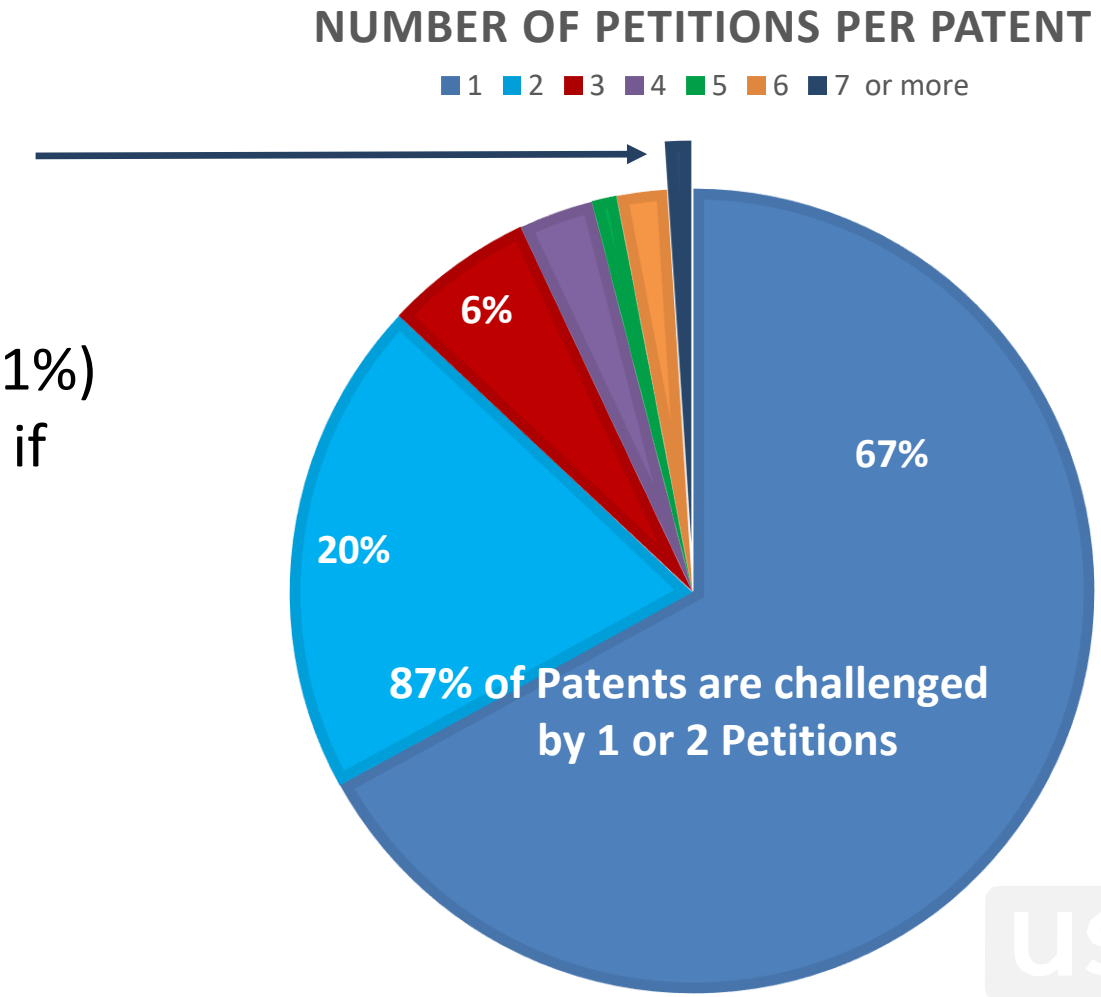
Data Through 6/30/17

Multiple Petition Study Highlights

- ***Studied***: 7168 petitions addressing 4376 patents
- ***Who:*** 84.8% of patents are challenged by a single petitioner
- ***What:*** 87% of patents are challenged by 1 or 2 petitions
- ***Where***: 85% of IPRs have a co-pending district court case
- ***When***:
  - 79% of petitions are filed before any Patent Owner Response or a Decision on Institution
  - 95% of petitions are filed in a given petitioner's first round
- ***Why:*** Often a petitioner could not have filed a petition earlier or may be prompted to file later because of the litigation circumstances
- ***How***:
  - Institution rate by patent (FY17: 70%) is only slightly higher than by petition (FY17: 64%)
  - 58% of patents challenged at the PTAB are unchanged

Case Studies

- Approximately 1% of patents are challenged by 7 or more petitions
- PTAB investigated the “extreme outliers” (aka, the last third of this 1%) to determine what commonalities, if any, exist



Extreme Outliers

- Very unusual:
  - Almost 90% of patents face 1 or 2 petitions
  - 16 patents out of 4376 challenged patents (appx. third of 1%) have faced more than 10 petitions

- Driven by extreme conditions:
  - Large numbers of claims;
  - Large numbers of defendants; and/or
  - Large numbers of joinders

Extreme Outlier #1: Largest Family

- 125 petitions filed against 10 patents totaling more than 370 claims
  - (per patent: 23, 21, 19, 16, 15, 11, 10, 4, 4, 2)
- All petitions filed by defendants
  - District Court required a petition for a stay
- 65 petitions were merely requesting joinder to other petition – effectively a copy
- Each claim faced only 1 ground total
- No follow up petitions
- All claims found unpatentable after PTAB trial
- Federal Circuit Rule 36 opinions affirming all appealed cases

Extreme Outlier #2: Most Petitions

- 26 petitions filed against a single patent having 306 claims
- Petitions filed by 3 different petitioners
  - District court litigation filed in waves
  - 2 petitioners were current defendants; 1 was prior defendant
  - 13 petitions (includes 5 requests for joinder)
    - Two petitioners
    - Each petitioner filed all of their petitions on same day
    - All settled prior to DI
  - 13 petitions
    - One petitioner
    - Petitions filed to address over 200 claims

Recent Precedential and Informative Decisions

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New Precedential Opinion: *General Plastic v. Canon*

Factors Considered for Institution of Later Petitions

1. whether the same petitioner previously filed a petition directed to the same claims of the same patent;

2. whether at the time of filing of the first petition the petitioner knew or should have known of the prior art asserted in the second petition;

3. whether at the time of filing of the second petition the petitioner already received the patent owner's preliminary response to the first petition or received the Board's decision on whether to institute review in the first petition;

4. length of time that elapsed between the time the petitioner learned of the prior art asserted in the second petition and the filing of the second petition;

5. whether the petitioner provides adequate explanation for the time elapsed between the filings of multiple petitions directed to the same claims of the same patent;

6. finite resources of the Board; and

7. requirement under 35 U.S.C. § 316(a)(11) to issue a final determination not later than 1 year after the date on which the Director notices institution of review

New Informative Decisions on 35 U.S.C. 325(d)

- *Unified Patents, Inc. v. Berman*
  - Examiner considered one reference during prosecution
  - Second reference was cumulative of prior art that the examiner considered

- *Cultec, Inc. v. Stormtech LLC*
  - Examiner previously considered 2 asserted references
    - One reference cited by examiner and applied
    - Other reference raised in third party submission that examiner discussed
  - Two other references were cumulative of prior art that the examiner considered

- *Hospira, Inc. v. Genentech*
  - Examiner considered same argument petitioner raised regarding patent owner's claim to priority
  - Examiner's previous priority determination was dispositive to each ground asserted in IPR

Motions to Amend and *Aqua Products*

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Procedural History

- **Original appeal of IPR2013-00159 (Paper 71)(PTAB Aug. 22, 2014)**
  - Board denied Aqua's motion to substitute claims 22–24, which proposed to amend claims 1, 8, and 20 to require additional limitations

- **Federal Circuit affirmed panel decision**

- **Federal Circuit ordered rehearing on two questions:**
  - Whether the USPTO can require the patent owner to bear the burden of persuasion or a burden of production
  - Whether Board can *sua sponte* raise patentability challenges

Burden of Persuasion

- Federal Circuit issued *en banc* opinion Oct. 4, 2017
- 5 opinions
- Lead opinion stated:
  - "(1) the PTO has not adopted a rule placing the burden of persuasion with respect to the patentability of amended claims on the patent owner that is entitled to deference;" and
  - "(2) in the absence of anything that might be entitled deference, the PTO may not place that burden [of persuasion] on the patentee"

PTAB's Application of *Aqua Products*

- Board contacted parties with pending motions to amend to inform that a request for a conference call with the Board is appropriate

- Party may request briefing changes or additional briefing during the conference call

SOP 1 on Expanded Panels

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Reasons for Panel Expansion

- Chief has discretion to expand a panel

- Reasons:
  - Issue of exceptional importance
  - Maintain uniformity of Board decisions
  - Written request from Commissioner for Patents or the Commissioner's delegate identifying an issue:
    - Of first impression; or
    - Governed by a prior Board decision where Commissioner has determined it would not be in the public interest to follow the prior Board decision

Suggestion for Panel Expansion

- Who?
  - Judge
  - Merits panel
  - Interlocutory panel
  - Applicant or patent owner in an appeal
  - Party in an inter partes reexam, interference, or AIA trial

- Suggestion must be in writing with reasons and basis for expansion

Frequency of Panel Expansion

- Rare; expansion done 4 times in FY2017 and vote remained unanimous
- *Neil Ziegmann v. Carlis G. Stephens*, Case IPR2015-01860 (PTAB Sept. 6, 2017) (Paper 13) (vote from 3-0 to 5-0 with expansion)
- *General Plastic v. Canon*, Case IPR2016-01357 (PTAB Sept. 6, 2017) (Paper 19) (vote from 3-0 to 7-0 with expansion)
- *HTC America v. Virginia Innovation Sciences*, Case IPR2017-00870 (PTAB Sept. 13, 2017) (Paper 11)
- *Facebook v. Skky,* Case CBM2016-00091 (PTAB Sept. 28, 2017) (Paper 12) (vote from 3-0 to 5-0 with expansion)

SOP 9 on Remands

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Changes to SOP 9

- Goal of issuing remand decisions within 6 month
- Meeting with the Chief, Deputy Chief, or their delegates
- Establishes default procedures for trial and appeal remand scenarios

Default Trial Procedures for Common Remand Scenarios

	Remand Scenario	Additional Briefing?	Additional Evidence?	Oral Argument?
1	Erroneous claim interpretation	Yes, unless the claim interpretation to be applied on remand was proposed by one of the parties and the effect has been fully briefed	No, unless evidence of record is insufficient to afford due process	No
2	Failure to consider the evidence	Yes, unless the evidence was fully briefed on the record	No	No
3	Inadequate explanation by the Board	No, unless the briefing on the issues is inadequate for the Board to have made a decision in the first instance	No	No
4	Erroneous application of law	Yes, unless the law was fully briefed on the record but not reflected in Board decision	No	No
5	Law of due process/denial of APA rights	Yes	Yes, for parties whose rights have been violated, unless additional briefing on evidence of record is sufficient to afford due process	Yes, if necessary to afford due process
6	Improper consideration of the arguments	Yes, unless argument is fully briefed in the record	No	No

Default Appeal Procedures for Common Remand Scenarios

	Remand Scenario	Prosecution/Reexamination Reopened
1	Erroneous claim interpretation	No, unless alternative claim interpretation renders the present rejection(s) moot
2	Failure to consider the evidence	No, unless the evidence of record is deemed entirely insufficient to support the present rejection(s)
3	Inadequate explanation by the Board	No, the Board provides additional explanation or reverse on the present record
4	Erroneous application of law	No, unless the correct application of the law renders the present rejection(s) moot
5	Law of due process/denial of APA rights	Yes, typically in the form of a new ground of rejection
6	Improper consideration of the arguments	No, arguments that were not sufficiently briefed before the Board are deemed waived

Ongoing Developments

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IP Cases

- Before the Supreme Court
  - *Oil States v. Greene's Energy*—argument on November 27, 2017
  - *SAS Institute v. Matal*—argument on November 27, 2017

- Before the Federal Circuit
  - *Wi-Fi One v. Broadcom*—awaiting decision

- Before the PTAB
  - *Mylan v. Saint Regis Mohawk Tribe*—briefing on tribal immunity pending

Questions and Comments

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