

An Update On Post-Grant Review Filings And Decisions

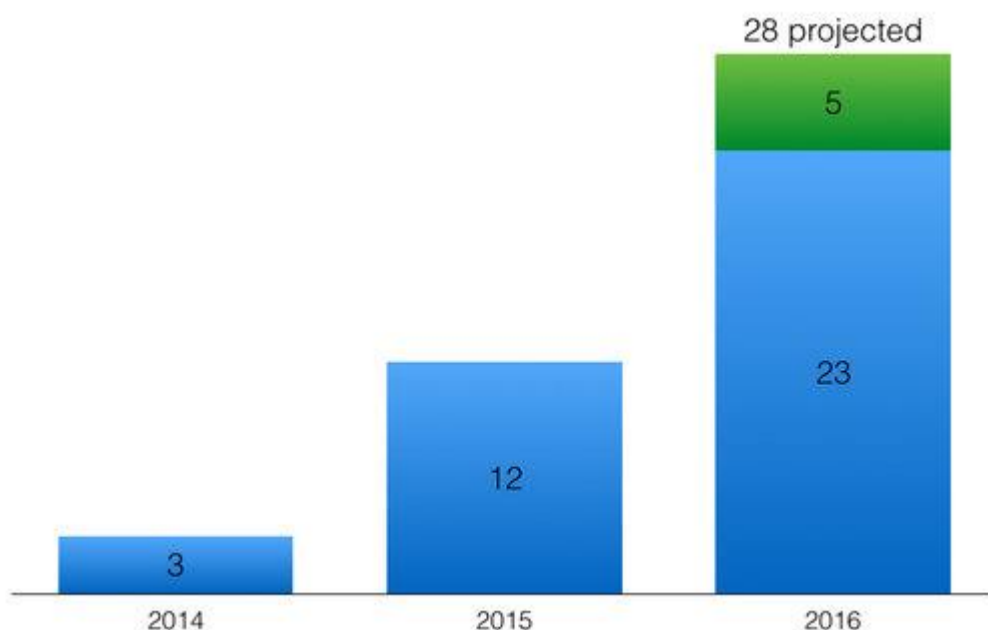
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In June 2016, we observed the increasing popularity of post-grant review and its role as a component of overall patent litigation strategy. Since that time, several more PGR petitions were filed and the Patent Trial and Appeal Board issued its first three written decisions. This article updates our previous analysis of PGR petitions to provide a contextual overview of the types of patents, parties and challenges being considered by the PTAB.[1] We also examine the PTAB's three written decisions to better understand how the PTAB will assess challenges based on grounds such as patent-eligible subject matter and public use prior art.

Updated Analytics – The Rate of PGR Filings Remains Steady

We previously estimated that approximately 27 PGR petitions would be filed in 2016, more than double the number of petitions filed in 2015. Based on current filing trends, that estimate will likely prove to be accurate. To date, a total of 23 petitions have been filed in 2016, leading to a revised total projection of 28 filings through the end of the year.

Figure 1: PGR Petitions Filed (2014-2016)



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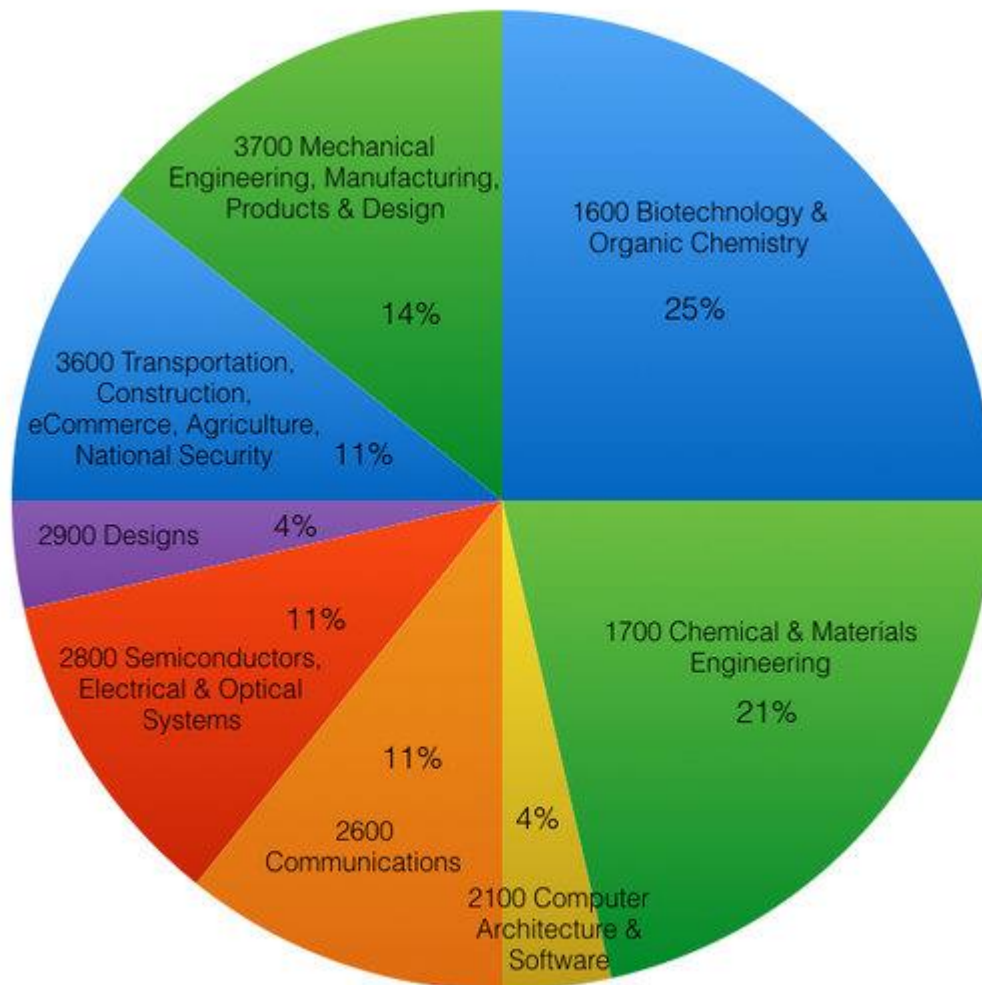
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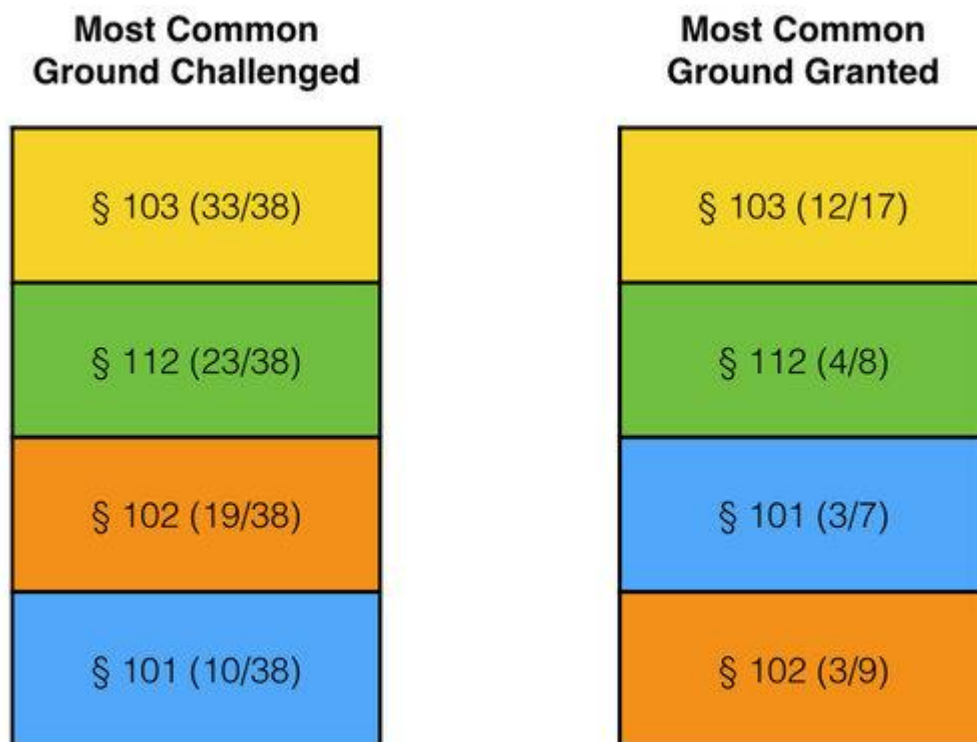
The allocation of petitions among the U.S. Patent and Trademark Office technology centers has remained consistent over the course of the year, with a little under half of the petitions involving biotechnology, chemicals or materials. There still remains only one PGR filing relating to the computer architecture and software technology center, which is notable given the relatively high level of district court and U.S. International Trade Commission litigation activity in this area and the susceptibility of this technology to 35 U.S.C. § 112 written description and enablement challenges.

Figure 2: PGR Filings by PTAB Technology Center



The least common ground challenged in PGR petitions is still patentable subject matter (26 percent of petitions), while obviousness remains the most common (87 percent). Challenges under 35 U.S.C §§ 102 (anticipation) or 112 (written description and enablement) are made in roughly half of all PGR petitions. In terms of institution, obviousness challenges continue to be the most common ground granted (71 percent), while anticipation challenges are instituted the least often (33 percent).

Figure 3: Comparison of Most Common PGR Grounds Challenged and Granted



The PTAB Issues Its First Three Final Written PGR Decisions

Perhaps the biggest development in the PGR landscape since June 2016 is the issuance of the first three final written decisions by the PTAB. Two of these decisions arose from a dispute between the American Simmental Association and Leachman Cattle of Colorado over two patents relating to genetic quality and relative market value of livestock.[2] In both cases, American Simmental challenged the patents-at-issue under 35 U.S.C. §§ 101 and 103. While the petitioner’s § 101 challenges were successful in both cases, the PTAB found obviousness in only one of the cases. In the third decision, *Netsirv and Local Motion MN v. Boxbee Inc.*, the PTAB was persuaded by the petitioner’s § 101 arguments, and ultimately found a patent related to storage container tracking and delivery to be unpatentable.[3] These decisions provide several important observations for PGR practice.

Construction Standard — What Is the Broadest Reasonable Interpretation?

In PGR, claims are given their “broadest reasonable interpretation” in light of the specification.[4] Commentators have suggested that this BRI standard is theoretically broader than the “plain and ordinary meaning” standard district courts use for claim construction, thereby giving PGRs a broader universe of prior art for the PTAB to consider.[5] Yet, in all three of its PGR written decisions, the PTAB characterized the BRI standard to give claim terms their “ordinary and customary meaning, as would be understood by one of ordinary skill in the art.”[6] This characterization is essentially the same standard district courts use in patent litigation.

Although it is impossible to determine whether the range of prior art actually considered by the PTAB in

these three PGRs was broader than what a district court would have considered, the PTAB's ostensibly narrower characterization of the BRI standard suggests that it was not. This observation is especially notable given that the PTAB used this narrower interpretation of BRI in *Netsirv*,^[7] a PGR written decision that issued after the U.S. Supreme Court's recent *Cuozzo* decision^[8] approving the PTAB's adoption of the BRI for inter partes review proceedings.^[9] For now, it appears that the claim construction standard the PTAB will apply for PGRs will be roughly the same as, if not identical to, what a district court will apply in patent litigation.

Patentable Subject Matter — Alice Challenges Are Promising Grounds for Unpatentability and Patent Owners Must Zealously Defend Their Patents

Even though patentability under 35 U.S.C. § 101 is the least common challenge in PGR petitions, all three written decisions determined the claims challenged under this ground were unpatentable. In its § 101 analyses, the PTAB followed the two-step framework set out in *Alice* regarding patent subject matter eligibility.^[10] First, the PTAB determined whether the claims covered a patent-ineligible abstract idea. Second, the PTAB determined whether the claims recited an inventive concept that transformed the otherwise patent-ineligible abstract idea into patentable subject matter. Ultimately, the PTAB found the patents challenged in each of the three petitions claimed patent-ineligible subject matter, mirroring the trend seen in district courts after *Alice*.

The PTAB's written decision in *Netsirv* highlights the significant weight the PTAB places on district court decisions. In this case, considering whether a bailment system was an unpatentable abstract idea, the PTAB relied in large part on two district court decisions finding similar (but unrelated) systems to be abstract ideas.^[11] Finding that the respondents did not adequately distinguish those *Alice* decisions from the current case, the PTAB ruled that the claimed invention was unpatentable. This result suggests that any party defending against or raising § 101 challenges must affirmatively seek out and address PTAB and district court cases assessing the patentability of similar technologies.

Another significant observation in *Netsirv* was the patent owner's decision not to request an oral hearing. While this decision was presumably strategic, requesting oral argument would have given the patent owner an additional opportunity to make its case and respond to the petitioner's allegations of unpatentability. And generally, the incremental cost of preparing for a hearing would be small compared to the significant resources a patent owner would have already devoted to prosecuting the patent and defending it in PGR and perhaps other litigation proceedings.

The PTAB's written decisions also suggest that patent owners attempting to distinguish a challenged claim from an abstract idea must establish that the distinguishing features are actually present in the claim language. In both *American Simmental* cases, the patent owner identified several features of the claimed invention it believed transformed the abstract idea of "determining an animal's relative economic value based on its genetic and physical traits" into patentable subject matter.^[12] However, the PTAB found that none of these features were "rooted sufficiently in the express claim language, and in any case, [were] peripheral to the above-identified fundamental concept."^[13] Similarly, in *Netsirv*, the patent owner argued that the claims amounted to significantly more than an abstract idea "because a human cannot perform the dynamic associations and disassociations with sufficient speed and accuracy to enable method performance."^[14] The PTAB rejected this argument because "the notion of 'dynamic associations' that occur 'in the field' is not found in the broadly-worded set of claims."^[15] In making these determinations, the PTAB appeared to require a well-reasoned, explicit and thorough explanation of the transforming inventive concept required by *Alice*, as well as identification of where this concept is rooted in the claim language itself.

Obviousness — Arguments Must be Fully Developed with Corroborated Evidence

The PTAB's written decisions resolving American Simmental's petitions against two patents assigned to Leachman Cattle of Colorado confirm that the PTAB demands petitioners to fully and explicitly articulate obviousness positions with corroborated prior art. In both petitions, American Simmental asserted a prior public use argument based on the Angus System.[16] Although American Simmental presented testimony that the Angus System was prior art to both Leachman patents, and corroborated this testimony with a document indicating the system was publicly used before the priority date, the PTAB concluded that the document did not sufficiently corroborate the testimony. Specifically, the PTAB noted that the corroborating document was generated after the priority date, the declarant had to consult with the company's information services department to make sense of dates in the document, and changes had been made to the system without explanation of the nature and timing of these changes.[17] As a result, the PTAB concluded that the exhibit did not sufficiently corroborate the testimony, and that the Angus System could not be used as prior art.[18]

The PTAB also considered American Simmental's obviousness argument using the remaining Wang reference, and found in American Simmental I that while it did "provide disclosure that corresponds properly to 'genetic merit scorecard,' ... Petitioner ha[d] not pointed to any disclosure or provided any analysis ... concerning the 'online' aspect of 'online genetic merit scorecard.'"[19] The PTAB noted that the fact a generic merit scorecard may be online "seems like a relatively minor distinction, especially given that the [challenged] patent has an earliest possible priority date of April 13, 2013,"[20] and that "Wang does provide some disclosure that a computer is connected to databases, and that the computer is used to 'generate the output rankings and individual animal estimated breeding values,' which could, perhaps, be enough to be considered 'online.'"[21] But the PTAB also found that American Simmental did not sufficiently advance either of these arguments or provide evidence to support those positions. As a result, in American Simmental I the PTAB concluded the Wang reference did not disclose an online genetic merit scorecard, and rejected American Simmental's obviousness argument.[22]

Arguably, there were many ways the PTAB could have found the evidence established the Angus System as prior art, or that the Wang reference alone made the challenged patent obvious. However, the PTAB declined to make these findings because it felt the petitioner had not done enough to warrant the ultimate finding of obviousness. Practitioners should be aware that even though a finding of obviousness requires a lower burden of proof in PGRs than in district courts,[23] it does not mean that the PTAB will do the petitioner's work to meet this burden. Practitioners still need to build a strong case, which means thorough development of arguments, using corroborated evidence and providing alternative arguments in the event primary references or arguments are rejected.

Claim Substitution — Claim Amendments Must Be Explained and Supported by the Specification

PGR proceedings give patent owners the opportunity, under certain circumstances, to amend claim language to overcome patentability challenges presented in a petition.[24] In the American Simmental cases, the patent owner requested that if the PTAB found the challenged claims invalid, it cancel those claims and enter substitute claims.[25] The PTAB determined that in order to enter substitute claims, the patent owner must show that the new claims overcome all grounds under which the original claims were rejected, and satisfy all procedural requirements concerning motions to amend claims set forth in the PTAB's rules.[26]

The PTAB took a fairly strict approach to American Simmental's requests to substitute claims. In

particular, it took issue with the fact that American Simmental did not provide proposed claim constructions for several of the claim terms it added to the substitute claims.[27] For example, in American Simmental II, the PTAB noted that “although we are cognizant that a patent specification does not need to recite word-for-word a claim limitation, when there is no clear relationship between claim language and the patent specification, it is incumbent on Patent Owner to provide either a claim construction, or explanation, to bridge the apparent gap.”[28] Because American Simmental did not bridge this gap, the PTAB could not determine whether the new language overcame the original rejections, and ultimately concluded that the proposed claims suffered from the same patentability issues presented by the original claims.[29]

Patent owners submitting amended claims during PGR proceedings carry a high burden. Not only must claim amendments overcome the underlying grounds for unpatentability, but they must also demonstrate, either through claim construction or explanation, how such amendments are supported by the patent specification. Failure to address these requirements could prove fatal to efforts to amend claims during PGR.

Conclusion

PGR has proven to be an effective tool for challenging patents under several grounds not offered by IPR. The PTAB’s first three written decisions provided examples of successful § 101 challenges, guidance on its characterization of the “broadest reasonable interpretation” for claim construction, explanations about the importance of corroborating public use prior art and fully developing obviousness arguments, and identification of potential pitfalls when attempting to amend claims during PGR. As more post-America Invents Act patents become eligible for PGR, and future written decisions provide more insight into PTAB practice, PGR will continue to be an increasingly important tool for patentability challenges that will complement IPR, district court and ITC proceedings.

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[1] The data in this article is current as of Oct. 31, 2016.

[2] Am. Simmental Ass’n v. Leachman Cattle of Colo., LLC, Case PGR2015-00003 (PTAB June 13, 2016) (Paper 56) (hereinafter “Am. Simmental I”); Am. Simmental Ass’n v. Leachman Cattle of Colo., LLC, Case PGR2015-00005 (PTAB June 13, 2016) (Paper 52) (hereinafter “Am. Simmental II”).

[3] Netsirv and Local Motion MN v. Boxbee, Inc., Case PGR2015-00009, at 21 (PTAB August 2, 2016) (Paper 20) (hereinafter “Netsirv”).

[4] 37 C.F.R. § 42.200(b).

[5] See, e.g., Grant Ford, Broadest Reasonable Interpretation vs. Ordinary and Customary Meaning: - Challenges Introduced by Applying Different Claim Construction Standards at the PTAB and the District

Courts, (Sept. 11, 2014), <http://www.sughrue.com/Broadest-Reasonable-Interpretation-vs-Ordinary-and-Customary-Meaning-8211-Challenges-Introduced-by-Applying-Different-Claim-Construction-Standards-at-the-PTAB-and-District-Courts-09-11-2014/>; David Soofian, Is Broadest Reasonable Interpretation Here to Stay?, Law360, (July 9, 2015), <http://www.law360.com/articles/677020/is-broadest-reasonable-interpretation-here-to-stay>; Jacob Oyloe, Claim Constructions in PTAB Vs. District Court, Law 360, (Oct. 6, 2014), https://www.wilmerhale.com/uploadedFiles/Shared_Content/Editorial/Publications/Documents/Reprint-Law360-Claim-Constructions-In-PTAB-Vs-DistCt-2014-Oyloe-Dowd-Cavanaugh.PDF.

[6] “Under the broadest reasonable construction standard, claim terms are given their ordinary and customary meaning, as would be understood by one of ordinary skill in the art in the context of the entire disclosure. Am. Simmental I, at 8 (citing *In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007)); Am. Simmental II, at 8 (same). “Under that standard, a claim term generally is given its ordinary and customary meaning, as would be understood by one of ordinary skill in the art in the context of the entire disclosure.” *Netsirv*, Case PGR2015-00009, at 5 (citing *In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007)).

[7] *Netsirv*, at 5.

[8] *Cuozzo Speed Techs., LLC v. Lee*, 136 S.Ct. 2131 (2016).

[9] 37 C.F.R § 42.200(b) (“a claim ... shall be given its broadest reasonable construction in light of the specification”).

[10] See *Alice Corp. Pty Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2354 (2014).

[11] *Netsirv*, Case PGR2015-00009, slip op. at 9 n.1.

[12] See Am. Simmental I, at 25-27; Am. Simmental II, at 13-15.

[13] See Am. Simmental I, at 28; Am. Simmental II, at 16.

[14] *Netsirv*, at 19 (citing PO Resp. at 3-5, 14).

[15] *Id.*

[16] See Am. Simmental I, at 17; Am. Simmental II, at 21.

[17] See Am. Simmental I, at 21; Am. Simmental II, at 25.

[18] See Am. Simmental I, at 22-23; Am. Simmental II, at 25.

[19] Am. Simmental I, at 22.

[20] *Id.*

[21] *Id.* (citations omitted).

[22] *Id.* at 23.

[23] 35 U.S.C. § 326(e): “In a post-grant review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.”; The Supreme Court in *Microsoft Corp. v. i4i Ltd.*, 564 U.S. 91, 95 (2011) held that § 282 requires an invalidity defense to be proved by clear and convincing evidence.

[24] 35 U.S.C. § 326(d).

[25] See *Am. Simmental I*, at 33; *Am. Simmental II*, at 41.

[26] See *Am. Simmental I*, at 37-38 (citing *Idle Free Sys., Inc. v. Bergstrom, Inc.*, Case IPR2012-00027, at 7 (PTAB June 11, 2013) (Paper 26) (holding that a patent owner should identify the features added to substitute claims and provide an explanation, including construction of new claim terms, sufficient to persuade the Board that the proposed substitute claim is patentable over the prior art)); *Am. Simmental II*, at 49 (same).

[27] See *Am. Simmental I*, at 37; *Am. Simmental II*, at 49.

[28] See *Am. Simmental II*, at 51.

[29] *Id.* Similarly, if a patent owner removes language from the old claims to create the substitute claims, it must explain why it did so, because an amendment may not enlarge the scope of the claims of the patent or introduce new matter. See *Am. Simmental I*, at 38-39. Generally, it is inferred that removal of claim language is broadening, therefore the patent owner must provide justification for removing the claim language. *Id.* at 39.