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Collected Writings of Banner & Witcoff in 2014

- iv. Need to address what is known about the level of skill in the art, in terms of the ordinary creativity and skill set of one of ordinary skill in the art. This is to be done *with respect to each added feature*. Paper 66 at 33-34.
- v. Need to address whether the element/limitation relied upon in the amended claim is known in any context, and if it is, need address non-obviousness of use in context of claimed invention, i.e., “why it would not have been applicable to render [the claimed invention] obvious to one with ordinary skill in the art.” Paper No. 66 at 35-36.

f. Page limits are a significant constraint!

- i. 15 pages for a motion to amend. Rule 42.24(a)(v). Listing of substitute claims counts against the 15 page limit. *Synopsys, Inc. v. Mentor Graphics Corp.*, IPR 2012-00042, Paper 30.
- ii. Petitioner likewise has 15 pages for opposition (Rule 42.24(c)(2)), and can raise new evidence (e.g., prior art, declaration testimony) to show unpatentability of claims. OPTPG, 77 Fed. Reg. 48767.
- iii. Patent Owner gets only 5 pages for reply. Rule 42.24(c)(2) (strictly enforced).
 - 1. Board has refused a Patent Owner request for three additional pages to address six new references cited by Petitioner against amended claims. *Synopsys*, IPR2012-00042, Paper 39.

4) An Opportunity for the Patent Owner: The Office Patent Trial Practice Guide (OPTPG) expressly provides for requesting from the Board a “substantial identity” determination that may support an argument that proposed substitute claims found patentable are not subject to the doctrine of intervening rights:

- a. “When filing a motion to amend, a patent owner may demonstrate that the scope of the amended claim is substantially identical to that of the original

patent claim, *as the original patent claim would have been interpreted by a district court*. In such cases, a patent owner may request that the Board determine that the amended claim and original patent claim are substantially identical within the meaning of 35 U.S.C. 252”. (OPTPG, 77 Fed. Reg. 48766; emphasis added)

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**Standard for Amending Claims in
IPR May Need to Change**

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Law360 Expert Analysis

March 13, 2014



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Standard For Amending Claims In IPR May Need To Change

Law360, New York (March 13, 2014, 1:08 PM ET) -- The Idle Free decision^[1] denied the patent owner's motion to amend claims on the ground that the patent owner had not proven the patentability of the claims over the prior art. Remarkably, the decision makes no reference to the petitioner's proofs on the issue, but rather denies the motion solely on the basis of perceived deficiencies in the patent owner's showing of patentability. Under Idle Free, not only is the burden on the patent owner to prove patentability of its amended claims, but "general patentability over prior art" must be demonstrated.

The Patent Trial and Appeal Board routinely cites to Idle Free as setting forth the standard for a motion to amend in an inter partes review. Many believe that the requirements for a motion to amend as articulated in Idle Free are extreme and very difficult, if not impossible, to satisfy. At present, the author is unaware of any decision by the board granting a motion to amend, other than one merely canceling claims. A patent owner's opportunity to amend its claims in an IPR may be hampered to such an extent that due process concerns may be raised. It appears questionable whether the procedure is consistent with the enacting statute.

In Idle Free, the patent owner Bergstrom represented in its motion to amend that the closest prior art was the prior art addressed in the IPR. The patent owner explained how the amended claims were patentably distinguished over this prior art. The board agreed, but held that it was insufficient to show patentability over just the references applied in the IPR.

The board required that the patent owner describe the level of skill in the art, in terms of the skill set and ordinary creativity of one of ordinary skill in the art. Reasonable enough. It is other aspects of the decision that give rise to concern.

The board held that the patent owner has the obligation to distinguish not only the prior art of record, but the prior art in general (that the patent owner knows about). According to the board, this means that the patent owner is required to address whether the features added by amendment were known in any context, and if so, why those features would not have been obvious in the context of the claimed invention.

Some believe that the board's approach in Idle Free is problematic, not just because it requires the patent owner to prove a negative (the nonexistence of invalidating prior art), but because of the lengths it appears to require a patent owner to go to in raising and then distinguishing prior art — within highly constrained briefing. The test announced raises concern also because it is seemingly arbitrarily variable based upon what the patent owner may or may not know about the relevant prior art.

In a switch from patent prosecution and litigation, the board has placed the burden upon

the patent owner to show patentability of amended claims over the prior art. Its rationale for this is that an IPR is an adjudicative rather than examinational proceeding.[2] The board is not in a position to "examine" patent claims as a patent examiner does in patent prosecution or re-examination.

The board also points to its rule that for any motion in an IPR, the movant is required to show that it is entitled to the relief requested.[3] But neither of these rationales justifies the demanding Idle Free approach. The extreme burdens placed upon the patent owner are unnecessary for the board to avoid having to "examine" claims to ascertain their patentability. In a modified approach proposed below, the patent owner may reasonably be deemed to have established entitlement to the relief requested with its motion to amend without satisfying all of the Idle Free requirements.

Proof of a Negative

Initially, it is notable that the board's approach of placing the burden on the patent owner to prove the patentability of its amended claims is novel procedurally under U.S. patent law. In original prosecution and re-examination, one is deemed entitled to a patent in the absence of a showing of unpatentability. In litigation, a patent claim is presumed valid until proven invalid.

As mentioned, the board cites to its Rule (42.20(c)) as a basis for placing the burden of proving the patentability of amended claims on the patent owner.[4] This rule, addressing motions generally, provides that a "moving party has the burden of proof to establish that it is entitled to the relief requested." However, it appears at least arguable that such an application of the rule to motions to amend is contrary to the enacting statute. 35 U.S.C. § 316(e) provides: "Evidentiary Standards — In an inter partes review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence." No distinction is drawn here between original patent claims and proposed amended claims.

It is not unheard of for the law to impose upon a party the burden of proving a negative. For example, the plaintiff in a negligence action may be required to show an absence of due care on the defendant's part. However, even assuming that it is statutorily permissible to place the burden to prove patentability of amended claims on the patent owner, arguably the burden to prove a negative should not be imposed where proof of the negative in question (here, the nonexistence of any invalidating prior art) is impractical for the party bearing the burden in the proceeding, and where the opposing party (here, the petitioner) is in a much better position to prove the opposite (the existence of invalidating prior art).

Unfairness

The board's approach in Idle Free appears to have the potential to result in arbitrary unfairness. By requiring the patent owner to address the prior art known to it, the Idle Free standard would seemingly discriminate against patent owners having knowledge of a large amount of relevant prior art, versus those having knowledge of little prior art.

In both complex and simple technologies, it would not be unusual for hundreds of relevant prior art references to exist. One might ask: Why should the patent owner with a vast awareness of all those references have a burden to patentably distinguish over them all, whereas a patent owner with much less extensive knowledge would have a commensurately lesser burden?

Idle Free critics also observe that there is potential unfairness because the patent owner has no reasonable basis for determining just how far it has to go in explaining away known

prior art references. By the directive of *Idle Free*, it is insufficient for the patent owner to only address the references in the relevant art. Rather, the patent owner must go further to explain away prior art applications of features added by amendment in other contexts.

Critics are concerned that it could often be impractical to expect the patent owner to show patentability to the extent required by *Idle Free*. For example, it would not be uncommon for the prior art of record, and prior art otherwise known to the patent owner, to include 10, 50, 100 or more arguably relevant references. Preparing an explanation of how the proffered claim amendments distinguish over all such art could be an enormous undertaking.

In a typical case, a feature added by amendment may be known in many different contexts. *Idle Free*'s requirement that the patent owner address the existence of added features in applications outside the field of invention compounds the patent owner's burden.

And to what benefit? The board emphasizes the importance of "convergence" in its trial proceedings, that is, the rapid narrowing of issues in the course of the trial.[5] To require the patent owner to raise and knock down an indeterminate number of straw men fails to focus on the key issues, and thus would seem to run contrary to this objective.

The patent owner's task in complying with the *Idle Free* standard is rendered all the more difficult by the strict briefing limitations imposed by the board. Only 15 pages are permitted for a motion to amend, inclusive of the listing of proposed substitute claims.[6] Fourteen-point font is required, as is double spacing.[7] In many cases, it may be unrealistic to expect the patent owner to be able to prove the patentability of amended claims over the prior art in general within such constraints. Due process concerns could thus be raised.

A Better Approach?

An approach that would give the patent owner a fairer opportunity to amend its claims, while furthering the board's objective to maintain a streamlined, adjudicative (nonexaminational) proceeding, would be an improvement. Granted, the board should not be put in a position of having to examine amended claims to ascertain their patentability. It need not be, given the presence of the petitioner who is in the best position to bring forward arguments against patentability. This dynamic is at the heart of the adjudicative/adversarial model adopted for trials conducted before the PTAB.

Setting aside the issue of whether placing the burden on the patent owner to prove the patentability of its amended claims comports with the enacting statute, in the author's view, there is a more practical and fair approach that the board could take.

The approach would be to require the patent owner to initially establish the patentability of the claims over the prior art applied in the trial to the corresponding original claims. Upon doing so, the burden of production would be deemed shifted to the petitioner to rebut the arguments of patentability (with, as is currently permitted, the opportunity to introduce new evidence).

This makes sense since the petitioner, as the adverse party, is generally in a much better position to raise meritorious unpatentability grounds regarding amended claims, than is the patent owner to address the patentability of amended claims over some indeterminate universe of known prior art.

Presented with such patent owner arguments and evidence, and the petitioner's opposing arguments and evidence, the board would be well situated to decide whether, on balance,

the patent owner has met its burden to prove patentability of the amended claims by a preponderance of the evidence. Absent countervailing arguments, a patent owner's persuasive showing that the amended claims patentably distinguish over the prior art applied in the trial to the corresponding original claims would be deemed sufficient to satisfy the patent owner's burden to establish entitlement to the relief requested with its motion to amend.

—By Christopher L. McKee, Banner & Witcoff Ltd.

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[1] Final Written Decision entered Jan. 7, 2014 in *Idle Free Systems Inc. v. Bergstrom Inc.*, IPR 2012-00027, Paper 66 (PTAB).

[2] *Idle Free*, IPR 2012-00027, Paper 66 at 33.

[3] *Id.*; 37 C.F.R. § 42.20(c).

[4] *Idle Free*, IPR 2012-00027, Paper 26 at 7; Paper 66 at 26 and 33.

[5] See, e.g., *Idle Free*, IPR 2012-00027, Paper 26 at 4 (“The Board seeks to streamline and converge issues at all phases of the proceeding.”).

[6] 37 C.F.R. § 42.24(a)(1)(v); *Synopsys Inc. v. Mentor Graphics Corp.*, IPR 2012-00042, Paper 30 (PTAB).

[7] 37 C.F.R. § 42.6(a)(2).

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**Five Considerations When Choosing
How to Challenge Patent Validity**

**H. Wayne Porter and Craig W.
Kronenthal**

***Banner & Witcoff Intellectual
Property Update***

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UPDATE

SPRING/SUMMER 2014

IN THIS ISSUE

- 1 Five Considerations When Choosing How to Challenge Patent Validity
- 4 The Google Books Case – Here's the Skinny
- 7 Aesthetic Functionality in the TTAB since *Louboutin*
- 10 IP Decisions Abound at the Supreme Court in Spring 2014
- 17 Global PPH and IP5 – Latest Iteration in the Patent Prosecution Highway

FIVE CONSIDERATIONS WHEN CHOOSING HOW TO CHALLENGE PATENT VALIDITY



BY: H. WAYNE PORTER AND CRAIG W. KRONENTHAL

Inter partes review

(IPR) is quickly becoming a popular

choice for challenging the validity of a patent. The America Invents Act (AIA) established IPR as a mechanism for challenging patent validity through an evidentiary proceeding before the Patent Trial and Appeal Board (PTAB) of the U.S. Patent and Trademark Office (USPTO). Under the right circumstances, an IPR may be a viable option for a party seeking to challenge an issued patent. Other options include traditional *ex parte* reexamination and district court litigation. This article discusses five areas to consider when choosing the best option in a particular case.

DISCOVERY

A third party requesting *ex parte* reexamination of a patent will have no real discovery opportunities. For example, *ex parte* reexamination does not allow a third party requestor to depose experts or other parties from whom a patent owner may submit declarations in support of patentability.

On the other hand, litigation allows for a broad scope of discovery. Rule 26(b) of the Federal Rules of Civil Procedure permits discovery so long as it “appears reasonably calculated to lead to the discovery of admissible evidence.” As a result, the discovery process often becomes a lengthy and costly component of litigation. Indeed, some believe that the discovery process is used to drive up expenses and consume resources in hopes of forcing opponents into a settlement.

Discovery in an IPR lies somewhere between these two extremes. Discovery is available in an IPR; however, it is quite limited in scope.¹ The IPR rules establish the right to cross-examine a declarant and require the parties to share information that is inconsistent with their positions.² For additional discovery, parties must reach an agreement or seek additional discovery by motion if agreement cannot be reached. Thus far, motions to the PTAB for additional discovery have been overwhelmingly unsuccessful. Parties have had difficulty persuading the PTAB that additional discovery is necessary in the “interest of justice,” and the PTAB has often noted that the time constraints of the IPR process do not allow for additional discovery.³

[MORE ▶](#)

¹ See *Garmin Int'l Inc. v. Cuozzo Speed Techs. LLC*, IPR2012-00001, Paper 26 (March 5, 2013) (noting the significant difference between the scope of discovery in an IPR and litigation).

² 37 C.F.R. § 42.51(b).

³ See e.g., *Apple Inc. v. Achatz Reference Publishing, Inc.*, IPR 2013-00080, Paper 17 (April 3, 2013).

CLAIM AMENDMENTS

One of the largest factors weighing against challenging a patent through *ex parte* reexamination is the ability of the patent holder to amend the claims. In *ex parte* reexamination, the patent holder may add and amend claims to improve its position. The only restrictions are that the amended or new claims must be supported by the original application and must be narrower in scope than the issued patent claims. The only limit on the number of new claims that may be added is the patent owner's willingness to pay extra claim fees. In practice, many patent holders use reexamination as an opportunity to amend or add claims that more clearly cover an allegedly infringing product. Although new or amended claims only have prospective effect, they can still be quite valuable if the reexamined patent has a significant remaining term. Indeed, some patent holders request *ex parte* reexamination of their own patent to solidify the patent by adding and/or amending claims to improve position in preparation for litigation.

Patent claims cannot be amended during district court litigation. For this reason, parties seeking to invalidate a patent have previously chosen to forego reexamination and solely pursue litigation.

Patent claims can be amended during an IPR. However, the ability to amend claims in an IPR is quite limited. Like reexamination, claims may not be amended to enlarge the scope of protection in an IPR.⁴ In addition, claim amendments must be in response to a ground of unpatentability involved in the IPR.⁵ When the patent holder amends a claim, the petitioner (the party that requested the IPR) may argue that the amendment represents a concession that an amendment is needed to overcome a reference. Patent holders may thus be reluctant to amend.

Further, 37 C.F.R. § 42.121(a)(3) limits patent holders to a reasonable number of substitute claims in an IPR. The rule creates a presumption of a one-for-one paradigm in which one claim can be added when one claim is canceled. On a more practical level, applicable IPR page limits restrict the ability of a patent owner to make amendments. Amendments are made through a motion to amend, which is limited under 37 C.F.R. § 42.24(a)(1)(v) to 15 pages. The motion must include a claim listing, a discussion of support for added or amended claims, and how the amended claims distinguish over the asserted prior art. It can be difficult to squeeze all of this into 15 pages if there are more than a few new or amended claims. Although the IPR rules allow patent owners to request additional pages, the PTAB has been quite willing to reject such requests.⁶

TIME

The timeframes for district court litigation vary widely. Some venues are considered "rocket dockets," but it is nonetheless common for patent litigation to last several years. *Ex parte* reexamination is generally considered to be faster, though this is not always the case. On average, the pendency of an *ex parte* reexamination from request filing date to certificate issue date is 27.9 months.⁷

An IPR is likely to be more expedient than *ex parte* reexamination or litigation. The PTAB is required to decide whether to institute an IPR within six months from the filing of a petition for an IPR. The PTAB is also required to reach a decision within 12 months from the time the IPR is instituted.⁸ This deadline is extendable to 18 months upon a showing of good cause.

MOTIONS

Motions are not a part of *ex parte* reexamination. Once a third party files a request for reexamination, that party may have no opportunity to participate in or influence

⁴ 37 C.F.R. § 42.121(a)(2)(ii).

⁵ 37 C.F.R. § 42.121(a)(2)(i).

⁶ See *Idle Free Sys., Inc. v. Bergstrom, Inc.*, CBM2012-00027, Paper 27 (June 18, 2013).

⁷ *Ex Parte* Reexamination Filing Data – Sept. 30, 2012 (www.uspto.gov).

⁸ 37 C.F.R. § 42.100(c).

the outcome of the reexamination proceedings. The third party requestor is limited to a single reply if the patent owner responds to the request for reexamination. In practice, many patent owners do not respond to requests for reexaminations so that they can deprive third party requestors of that reply. Moreover, the third party is prohibited from communicating with the reexamination examiner, whereas patent holders are allowed to participate in interviews with the examiner.

Litigation generally stands at the other extreme in this area, as well. A wide variety of motions may be filed in district court litigation. Individual courts have their own local rules governing motion practice. Such local rules may dictate page limits, content requirements, deadlines for filing and responding, and how motions are to be filed (e.g., whether motions need to be electronically filed). Often local counsel is employed to ensure that the local rules are being met.

Although motion practice is also a component of IPRs, it is much more tightly controlled relative to district court litigation. For example, 37 C.F.R. § 42.20(b) requires prior PTAB authorization before filing a motion. Filing a motion without PTAB approval could result in expungement of the motion with prejudice.⁹ This aspect can impact costs and expediency of IPRs. Although it is too early to reach conclusions, this pre-authorization requirement can be expected to cut down on the number of motions filed and keep motions narrowly tailored to specific issues. When authorizing motions, for example, the PTAB often provides guidance on the issues to be addressed in the motion.

SETTLEMENT

Once a request for *ex parte* reexamination is granted and a reexamination is ordered, neither the patent owner nor a third party requestor can stop the reexamination.¹⁰ The USPTO will reexamine the patent and allow and/or reject

claims regardless of any subsequent settlement or other agreement between the patent owner and the third party. It may thus be difficult for a third party to negotiate a favorable license while a patent is under reexamination, as the patent owner will have to continue fighting for patent validity regardless of whether a dispute with the third party requestor is resolved.

In contrast, the time, money and resources associated with district court litigation often motivate parties to settle. Indeed, most patent suits terminate as a result of settlement. When patent suits do settle, the settlement terminates the trial and the terms of settlement can often be kept confidential. The assurance that the terms of settlement will be kept confidential can be an influential factor in the willingness of a patent owner or patent challenger to settle.

Settlement considerations may play into whether a party chooses to institute an IPR. Unlike *ex parte* reexamination, the PTAB may terminate an IPR without reaching a decision.¹¹ However, 37 C.F.R. § 42.74 makes clear that the PTAB does not have to terminate the trial if the parties settle. The PTAB's decision to terminate the IPR proceedings will likely hinge on the timing of the settlement and how close the PTAB is to making a decision. As for the terms of settlement, 37 C.F.R. § 42.74(c) provides for keeping settlement details secret and separate from the file of the IPR. However, the same rule also provides for making such details available to government agencies on written request and to other persons upon a showing of good cause.

CONCLUSION

As evidenced by the five areas discussed herein, all three options for challenging patent validity have benefits and drawbacks. The best option will depend on the particular circumstances at hand. The above aims to provide some guidance in light of the new IPR process when preparing a strategy for invalidating an issued patent. ■

An IPR is likely to be more expedient than *ex parte* reexamination or litigation.

⁹ See *Bloomberg Inc. v. Markets-Alert Pty. Ltd.*, CBM2013-00005, Paper 15 (Dec. 3, 2012).

¹⁰ An *ex parte* reexamination proceeding concludes with the issuance of a reexamination certificate (whether claims are allowed, canceled or amended). See 37 C.F.R. § 1.570.

¹¹ 37 C.F.R. § 42.72.



**PTAB Continues Hard Line on
Motions for Additional Discovery,
Door Left Open for Some Limited
Discovery**

Christopher L. McKee

Banner & Witcoff PTAB Highlights

August 28, 2014

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PTAB HIGHLIGHTS

New developments in post-issuance proceedings

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PTAB Continues Hard Line on Motions for Additional Discovery, Door Left Open for Some Limited Discovery

By Christopher L. McKee

August 28, 2014 – The PTAB continues to take a hard line on motions for additional discovery, but shows a willingness to grant some limited additional discovery, as the following four decisions illustrate:

[IPR2014-00312 – Square, Inc. v. REM Holdings 3, LLC \(Paper 20\)](#)

The Patent Owner’s motion for additional discovery relating to evidence of secondary considerations to overcome obviousness challenges was dismissed without prejudice. The Board ruled that the motion contained both unduly broad and burdensome requests and also requests for information that was publically available. However, the Board did leave the door open to granting a “limited amount of discovery” to the Patent Owner because the Patent Owner “made sufficient showing to entitle them to some information from Petitioner regarding sales figures.” Although the Patent Owner has to demonstrate “more than a possibility or mere allegation that something useful will be found” from its discovery request, “this does not mean that the requester must prove conclusively that they will win on the merits before any discovery will be granted.”

[CBM2014-00131, 00133, 00135, 00136, 00137 – TD Ameritrade Holding Corp., et al. v. Trading Technologies International, Inc. \(Paper 11\)](#)

In these cases, the Patent Owner filed a request for authorization to file a motion for additional discovery as to whether Petitioner, an entity called eSpeed, and other unnamed parties were real-parties-in-interest to the IPR. The motion authorization request was denied. Separately, the

Board provided guidance regarding how to ensure compliance with “routine discovery” requirements.

The principal support proffered for the motion was a 2005 memo authored by counsel for eSpeed and obtained by Petitioner in 2010 in response to a “request for prior art,” after Petitioner was sued by the Patent Owner. Petitioner cited the 2005 memo in its CBM Petition and stated that it might contain attorney work product.

Under 37 C.F.R. § 42.224, additional discovery may be granted upon “a showing of good cause as to why the discovery is needed.” The Board decided that Patent Owner’s rationale for this additional discovery did not meet this threshold but rather amounted to “mere speculation that [Patent Owner] will discover information regarding an alleged joint defense group between Petitioner, eSpeed, and other unnamed entities.”

The Patent Owner also alleged that Petitioner improperly failed to serve a document which contained statements inconsistent with its petition. Patent Owner sought guidance from the Board as to how it could enforce compliance with routine discovery rules. Without stating whether Petitioner should or should not have served the document on Patent Owner, the Board directed Patent Owner to the language of 37 C.F.R. § 42.51(b)(1)(iii) addressing “routine discovery.” The Board concluded that Patent Owner “was free to address the alleged inconsistent statements in its Preliminary Response or Patent Owner Response.” The Board quoted from its Decision in *Garmin* (IPR2012-00001, Paper 26): “Routine discovery under 37 C.F.R. § 42.51(b)(1)(iii) is narrowly directed to specific information *known to the responding party to be inconsistent* with a position advanced by that party in the proceeding, and not broadly directed to any subject area in general within which the requesting party hopes to discover such inconsistent information.”

IPR2014-00199 – Wavemarket Inc. d/b/a/ Location Labs v. Locationet Systems LTD (Paper 34)

Here, the Patent Owner filed a motion for additional discovery requesting production of documents, an answer to an interrogatory, and authorization to take a deposition, which the Board denied. Patent Owner’s purpose was to establish parties as real parties in interest to the IPR on the basis that they were accused of infringing the patent at issue in multiple related district court litigations, and because each has a “direct interest in the outcome of this proceeding and a relationship with Petitioner.”

Patent Owner sought discovery of various indemnification agreements and joint defense/common interest agreements, communications, payments or payment obligations between Petitioner and the other parties which Patent Owner alleged are relevant to show the other parties’ involvement in and/or funding of the current IPR.

The Board focused on two of the five factors from *Garmin* (IPR2012-00001, Paper 26) to determine whether the additional discovery requests satisfied the “necessary in the interest of justice” standard under 35 U.S.C. § 3126(a)(5) - whether the requests were overly burdensome to answer and whether more than a mere possibility and mere allegation existed that would lead to useful discovery. Although Patent Owner’s evidence of shared counsel and the existence of the

indemnification and defense/common interests might uncover the existence of something useful that would support a finding of privity with Petitioner (which is a more expansive notion), such evidence is not sufficient to support a finding that the parties were real-parties-in-interest. Therefore, Patent Owner's evidence did "not demonstrate *beyond speculation* that something useful will be uncovered regarding [the other parties'] funding, direction, control, or ability to exercise control of Petitioner's participation in this *inter parte* review."

Furthermore, the Board determined that the document requests were unduly burdensome because they sought all communications about indemnification and regarding the joint defense and/or common interest agreements between Petitioner and AT&T, T-Mobile, and Sprint "without providing any basis that the requested communications contain any useful information."

IPR2014-00367 – Schott Gemtron Corp. v. SSW Holding Co., Inc. (Paper 20)

In this case, the Patent Owner was seeking additional discovery "pertaining to its assertion of commercial success and copying as secondary considerations of nonobviousness." Specifically, Patent Owner sought documents sufficient to identify Petitioner's total annual sales of certain products. The Board focused on the factor from *Garmin* (IPR2012-00001, Paper 26) which states that something more than a mere possibility of finding something useful is necessary in the interest of justice. Commercial success usually is demonstrated with evidence of "significant sales in a relevant market." Patent Owner's evidence of Petitioner's sales figures for the product in question (hydrophobic spill proof shelves) for 2013 was not sufficient to show "beyond mere speculation or a mere possibility, that Petitioner's sales were significant enough in the relevant market to constitute commercial success and that the requested discovery would, therefore, return useful information."

Furthermore, Patent Owner failed to establish a proper nexus between the claimed invention and the commercial success of the product. This would require proof that commercial success was a direct result of the unique characteristics of the claimed invention, as opposed to an unclaimed feature of the invention or other unrelated commercial and economic factors unrelated to the quality of the patented invention. Royalty reports showing purchases of hydrophobic spill proof shelves do "not point out sufficient evidence of nexus between the claimed invention and Petitioner's product *with respect to Petitioner's sales*." A declaration testifying that Patent Owner's design was the reason a party bought shelves from the Patent Owner was "not indicative of reasons for buying from the Petitioner. Without evidence of a nexus regarding Petitioner's sales, Patent Owner could not demonstrate that its discovery requests would be likely to uncover something useful.

The Leahy-Smith America Invents Act established new patent post-issuance proceedings, including the inter partes review, post grant review and transitional program for covered business method patents, that offer a less costly, streamlined alternative to district court litigation. With the U.S. Patent and Trademark Office's Patent Trial and Appeal Board conducting a large and increasing number of these proceedings, and with the law developing rapidly, Banner & Witcoff will offer weekly summaries of the board's significant decisions and subsequent appeals at the U.S. Court of Appeals for the Federal Circuit.



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**Voluminous Declaration Leads to
PTAB Denial of IPR Petition**

Christopher L. McKee

Banner & Witcoff PTAB Highlights

August 28, 2014

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PTAB HIGHLIGHTS

New developments in post-issuance proceedings

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Voluminous Declaration Leads to PTAB Denial of IPR Petition

By Christopher L. McKee

August 28, 2014 – In a decision of interest, the PTAB denied institution of *inter partes* review due to the Petitioner’s excessive reliance on a voluminous supporting declaration:

[IPR2014-00491 – Fidelity National Information Services, Inc. v. Datatransaction Corp. \(Paper 9\)](#)

In this decision denying institution of an *inter partes* review, the Board refused to consider information contained in a supporting declaration, but not sufficiently presented in the petition itself. Under 37 C.F.R. § 42.22(a)(2) a petition must include a “full statement of the reasons for the relief requested, including a detailed explanation of the significance of the evidence....” Here, Petitioner submitted a claim-by-claim analysis for nine grounds of unpatentability, alleging the prior art teaches or suggests each element of the claim. Petitioner chiefly cites to a 287 page declaration containing 1,278 paragraphs. In those paragraphs, the declarant points “almost exclusively to a 1,003 page, single-spaced, claim chart in landscape format appended to [the] Declaration as Exhibit A.” The claim chart then cites to the references themselves. Through this three-level incorporation technique – the petition incorporating the declaration, the declaration incorporating the claim chart, and the claim chart incorporating from the references – the Petitioner impermissibly sought to greatly expand its arguments in support of the petition.

The Board ruled that the “petition’s extensive reliance on citations to the ... Declaration in lieu of citations to the references themselves amounts to an incorporation by reference of arguments made in the ... Declaration into the Petition, thereby circumventing the page limits that apply to petitions.” The Board refused to consider the information found only in the declaration. Arguments made in a supporting document may not be incorporated by reference into a petition, pursuant to 37 C.F.R. § 42.6(a)(3).

The Leahy-Smith America Invents Act established new patent post-issuance proceedings, including the inter partes review, post grant review and transitional program for covered business method patents, that offer a less costly, streamlined alternative to district court litigation. With the U.S. Patent and Trademark Office's Patent Trial and Appeal Board conducting a large and increasing number of these proceedings, and with the law developing rapidly, Banner & Witcoff will offer weekly summaries of the board's significant decisions and subsequent appeals at the U.S. Court of Appeals for the Federal Circuit.



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**PTAB Dismisses Argument That
Priority Date is a § 112 Issue Not
Reviewable in an IPR**

Craig W. Kronenthal

Banner & Witcoff PTAB Highlights

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New developments in post-issuance proceedings

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PTAB Dismisses Argument That Priority Date is a § 112 Issue Not Reviewable in an IPR

By Craig W. Kronenthal

September 3, 2014 — In a decision instituting *inter partes* review, the PTAB rejected a patent owner's argument that the priority date of the patent is not reviewable in an IPR because it's an issue under 35 U.S.C. § 112.

IPR2014-00414 – SAP America, Inc. v. Pi-Net International, Inc. (Paper 11, August 18, 2014)

An IPR petition was filed to challenge a patent that is a divisional of and claims priority to an earlier filed parent application. The petition challenged the priority date of the patent, and asserted unpatentability based in part on a published U.S. patent application that was filed after the claimed priority date. The petitioner argued that certain negative limitations in the claims of the patent were not supported by the parent application. In its preliminary response, the Patent Owner did not address whether the claims were supported. Instead, the Patent Owner simply argued that the priority issue is a question of compliance with the written description requirement of 35 U.S.C. § 112 and cannot be considered in an *inter partes* review in which patentability challenges are limited to challenges under 35 U.S.C. §§ 102 and 103. *See* 37 C.F.R. § 42.104(b)(2).

The Board disagreed, noting “the difference between compliance with the requirements of 35 U.S.C. § 112 and assessing the earliest priority date for a claim.” The Board pointed out that the Petitioner is not impermissibly challenging the patentability of the patent under 35 U.S.C. § 112, but rather is simply challenging the priority date. The Board was persuaded that the claimed features were not entitled to the priority date. The Board went on to consider the challenge under 35 U.S.C. § 103 relying on the intervening reference, and ultimately decided to institute the *inter partes* review.