



**2014**  
*Inter Partes* Review  
Year In Review

HUNTON &  
WILLIAMS

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# Patent

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## Introduction

The Patent Trial & Appeal Board's ("Board") decisions in 2014 confirmed the continued importance and increasing popularity of validity challenges through the *Inter Partes* Review (IPR) provisions of the America Invents Act. Overall, the Board issued more than 1,000 institution decisions in 2014 — approximately three times the 312 institution decisions issued in 2013. With this dramatic rise in the number of IPR petitions, the Board had an opportunity to address numerous previously undecided issues in its institution decisions, procedural decisions, and final written decisions. This summary provides an overview of some of the trends and noteworthy issues addressed in the Board's decisions in 2014.



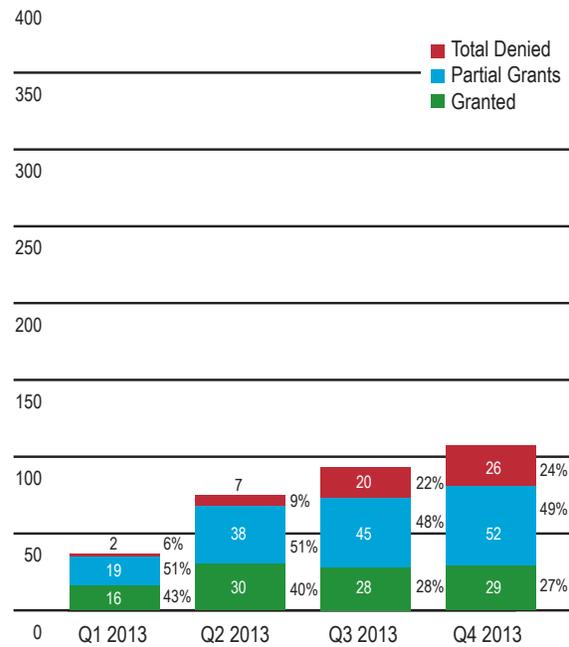
# I. Institution Decisions

2014 saw a dramatic rise in the number of petitions decided by the Patent Trial and Appeal Board. The Board's disposition of 350 institution decisions in the fourth quarter of 2014 was more than triple the number of decisions in the third quarter of 2013. There were a number of interesting trends in 2014. First, denials of IPR petitions continued to increase, with nearly a third of all petitions in the third quarter of 2014 being denied.

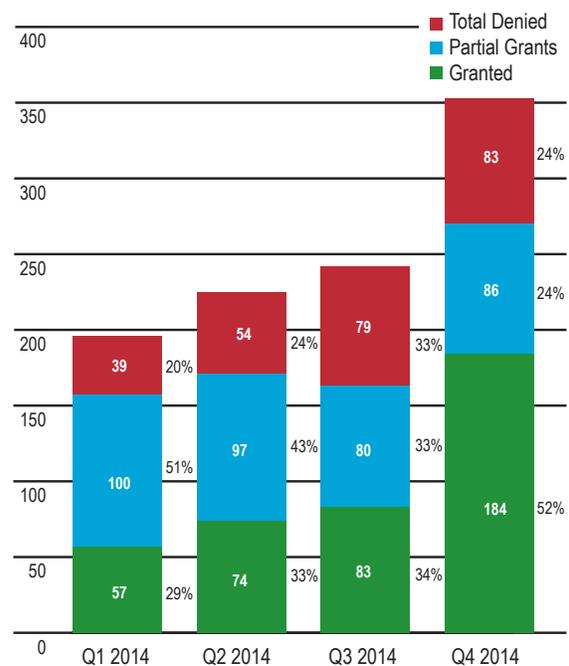
Another trend was the steady increase in decisions granting petitions in full, as opposed to granting in-part and denying in-part (so-called "partial grants"). In 2013 and the first half of 2014, roughly half of all institution decisions were partial grants, wherein the Board instituted on some, but not all, of the proposed grounds. The second half of 2014, however, saw a notable decrease in partial grants, as the Board began granting more petitions in full. Indeed, by the fourth quarter of 2014 the Board had issued more than twice as many complete grants than partial grants — 184 versus 86.

In addition, the number of petition denials on technical or procedural grounds rose in 2014. These grounds included the one-year statutory bar following service of an infringement suit, failure to identify all real parties in interest, and improper citation to expert declarations or presentation of arguments. Most petition denials, however, continued to be substantive, with the Board taking a seemingly more stringent approach, especially with respect to proposed obviousness combinations. A common reason stated for rejecting obviousness-based grounds was that the petitioner failed to provide sufficient reasoning with rational underpinning explaining why a skilled artisan would have modified the cited references to arrive at the claimed invention.

These trends are shown in the following graphs regarding statistics on institution statistics:



Source: DocketNavigator.com



Source: DocketNavigator.com



## A. Denials of Institution on Procedural Grounds

### ***The Board continues to apply the one-year bar of Section 315(b) fairly stringently.***

The Board denied numerous petitions on procedural grounds. Many denials stemmed from the petitioner's failure to file a petition within one year of being served with a complaint asserting infringement of the patent. According to the AIA, "[a]n *inter partes* review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent." 35 U.S.C. §315(b). The Board has interpreted this provision strictly to bar institution in most circumstances.

In 2014, the Board continued to apply § 315(b) retroactively to bar bringing an IPR when a lawsuit predated passage of the AIA. See *Samsung Electronics Co. Ltd. v. Fractus, S.A.*, IPR2014-00008 ("§ 315(b) bars institution ... even if the complaint at issue was served before passage of the America Invents Act."); *Apple Inc. v. Virnetx, Inc. & Sci. Application Int'l Corp.*, IPR2013-00348 ("Although Congress intended to create a cost-efficient alternative to district court litigation, it does not follow that the time bar only applies to concurrent litigation.").

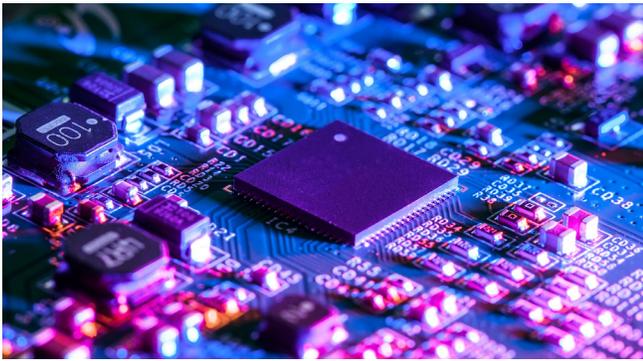
The Board also reaffirmed that a second infringement complaint does not reset the one-year clock for filing an IPR. In *Loral Space & Communications Inc. & Space Systems/Loral, LLC v. ViaSat, Inc.*, IPR2014-00236, the Board concluded that a patent owner's filing and service of an amended complaint did not negate the effect of service of the original complaint under § 315(b). "An amended complaint is just that — a complaint that has been amended. The original complaint has been amended, and has not gone away in the same sense as a complaint dismissed without prejudice." Similarly, in *Amneal Pharmaceuticals, LLC v. Endo Pharmaceuticals Inc.*, IPR 2014-00361, the patent owner filed an amended

complaint after the parties stipulated that the accused infringer did not have to answer the first complaint. The Board, however, explained that the parties' stipulation was irrelevant for purposes of Section 315(b), and held that the one-year bar applied. Accordingly, the service date of the original complaint — not the amended complaint — controls for purposes of determining whether the one-year bar under Section 315(b) applies.

### ***However, the one-year bar does not apply in cases in which the infringement complaint was not effectively served or where it was dismissed without prejudice.***

The Board's interpretation of Section 315(b) was not all bad news for patent owners in 2014. There are at least two examples in which patent owners were afforded relief from the rigors of the one-year bar. First, for Section 315(b) to apply, the service of the complaint at issue must have been effective. In *TRW Automotive Holdings Corp. v. Magna Electronics Inc.*, IPR2014-00293, the Board found that filing a motion for leave to amend the complaint along with a copy of the proposed amended complaint as an attachment did not trigger the one-year clock of Section 315(b). Rather, it was only when the court granted the motion for leave and the clerk entered the amended complaint that the one-year clock began to run.

Second, Section 315(b)'s bar is not implicated when the previously filed complaint was voluntarily dismissed without prejudice. In 2013, the Board held that a dismissal without prejudice nullified the effect of service for purposes of 35 U.S.C. § 315(b). *Macauto U.S.A. v. BOS GmbH & KG*, IPR2012-00004. In 2014, the Board reaffirmed this holding, explaining that the district court's dismissal of the patent owner's declaratory judgment suit without prejudice rendered that action "a nullity." *Clio USA, Inc. v. The Procter & Gamble Co.*, IPR2013-00438. According to the Board, "[i]n the context of § 315(a) (1), the action never existed."



**The Board also continues to apply the “privity” and “real party in interest” requirements of Section 315(b) stringently.**

The AIA requires petitioners to identify all real parties in interest and applies the estoppel provisions to all real parties in interest and privies of the petitioner. Several decisions in 2014 addressed whether an unnamed party was a privy of the petitioner or a real party in interest to the proceeding. The unnamed party often was a defendant in a related litigation filed more than one year before the IPR petition was filed.

In general, the Board has taken a narrow view of what constitutes a “privity” or “real party in interest” apart from the named party under Section 315(b). This relatively strict view as to who is a real party in interest or privy of a petitioner has resulted in numerous IPRs being instituted despite arguments from patent owners that real parties in interest or privies were not named in the petition. The Board generally requires petitioners to identify in the petition all parties who have “control” over the litigation and/or filing of the IPR. Patent owners have been largely unsuccessful in their attempts to sweep in such unnamed parties under the privy or real party in interest rubric, even where the unnamed party was subject to indemnification, *Apple Inc. v. Achatas Reference Publishing Inc.*, IPR2013-00080; a customer supplier, *Hewlett-Packard Company v. MCM Portfolio, LLC*, IPR2013-00217; or codefendant with the IPR filer, *Chi Mei Innolux Corp. v. Semiconductor Energy Laboratory Co. Ltd.*, IPR2013-00038.

In *Abb Technology LTD. v. IPCO, LLC*, IPR2013-00482, the Board held that, for Section 315(b) to bar a second IPR filing based on alleged privity between the IPR filer and a first IPR filer, those two parties must have been in a privy relationship at the time one of them was sued for patent infringement. In denying the patent owner’s motion to dismiss a second IPR petition, the Board held that “Patent Owner has not shown persuasively that Petitioner was a privy of Tropos in 2006 when Tropos was served

with a complaint alleging infringement of the ‘062 patent.” Accordingly, in 2014, the Board continued to strictly apply the requirements for who qualifies as a privy or real party in interest.

**However, “privity” can be shown where, for example, one company hires another to file an IPR petition or where one company is a wholly-owned subsidiary of another.**

In other circumstances, the Board sided with patent owners and denied petitions failing to name all real parties in interest. For example, 2014 marked the first time that the Board terminated an IPR based on a finding that the unnamed party was a privy of the petitioner or real party in interest. Specifically, in two cases the Board found that the patent owner had demonstrated that the unnamed party met the Board’s “control” test and terminated the IPR under Section 315(b). In *RPX Corp. v. Virnetx, Inc. & Science Application International Corp.*, IPR2014-00171, the Board terminated seven IPRs filed by RPX after concluding that RPX and Apple were privies and that Apple had been sued for patent infringement more than one year before RPX filed its petitions. RPX is an entity focused on defensive patent acquisition, acquiring or licensing patents in active litigations and ensuring that such problematic patents will not be used offensively against its members. Apple, an RPX member, had earlier filed its own IPRs, but they were time barred. Apple then paid RPX to, among other things, file post-grant proceedings against “patents of questionable quality.” The Board found that Apple was trying to re-litigate its time-barred petitions through RPX as a proxy, and that Apple’s relationship with RPX was sufficient to meet the Board’s test for “privity” under Section 315(b).

Moreover, in *Zoll Lifecor Corp. v. Philips Electronics N.V.*, IPR2013-00609, the Board terminated an IPR where it found that an unnamed party, Zoll Medical, was a real party in interest and a privy of the petitioner who if named in the petition would have caused it to be time-barred under § 315(b). Specifically, the petitioner, Zoll Lifecor, had been a wholly owned subsidiary of Zoll Medical since 2006. The two companies referred to each other as “Zoll,” and sold a single product, LifeVest. Zoll Medical had been sued for patent infringement in Massachusetts, while Zoll Lifecor was later sued in Pennsylvania. In terminating the IPR, the Board noted, “[t]o set aside the history of involvement of Zoll Medical in the business and legal affairs of Petitioner in favor of upholding the corporate formality of these entities would contradict the factor-based analysis of what constitutes sufficient control for a non-party to be recognized as a privy.”

**The Board may deny an IPR petition where the same grounds of rejection had been previously presented to the Patent Office.**

Under 35 U.S.C. § 325(d), the Board has discretion to deny institution of an IPR if the issues raised in a petition have already been addressed by the Patent Office. 35 U.S.C. § 325(d) (“In determining whether to institute or order a proceeding under . . . chapter 31, the Director may take into account whether, and reject the petition or request because, the same or substantially the same prior art or arguments previously presented to the Office.”). The Board designated the following decisions from 2014 denying institution on this basis as “informative.”

In *Medtronic, Inc. v. Robert Bosch Healthcare Systems, Inc.*, IPR2014-00436, Medtronic filed a petition against the same patent that the Board had already instituted IPR on based on a previous petition filed by Cardiocom. Medtronic had recently acquired Cardiocom and Medtronic’s petition was based on some of the same prior art that was relied upon by Cardiocom. Relying on Section 325(d), the Board denied Medtronic’s petition, noting that two of the grounds advanced by Medtronic were the same or substantially the same as those asserted by Cardiocom. As for Medtronic’s additional proposed grounds, the Board concluded that Medtronic had failed to sufficiently explain why the skilled artisan would have been motivated to combine the references.

In *Conopco, Inc. DBA Unilever v. The Procter & Gamble Co.*, IPR2014-00506, the Board denied a second petition on the same patent that the Board had previously instituted IPR. In Unilever’s first petition, the Board instituted review only on a subset of the claims requested by Unilever. Unilever’s second petition sought review of the claims for which review had not been granted and was accompanied by a motion to join the petition with the previously instituted IPR. Unilever’s second petition relied on thirteen prior art references, six of which were also raised in its earlier request. In denying the second petition, the Board explained that all the grounds asserted in the second petition relied at least in part on prior art



that had been asserted in the first petition, and thus concluded that the second petition raised substantially the same prior art as raised in the first petition.

Similarly, in *Unified Patents Inc. v. PersonalWeb Technologies, LLC & Level 3 Communications, LLC*, IPR2014-00702, the Board denied an IPR petition on grounds that the challenged patent was the subject of three other IPR petitions, including one that resulted in a final written decision of unpatentability that was on appeal at the Federal Circuit. Because the same prior art reference relied upon by the petitioner was at issue in two of the other IPR proceedings, the Board denied the petition under Section 325(d).

Finally, it is worth noting that Section 325(d) is not limited to arguments raised in previous IPR petitions, but extends equally well to arguments raised in original prosecution. In *Prism Pharma Co., Ltd. v. Choongwae Pharma Corp.*, IPR2014-00315, the Board denied Prism’s petition where the prior art and arguments raised were substantially similar to those considered and overcome in the original prosecution of the patent. During original prosecution of the patent, the petitioner had provided declarations to the patent owner arguing that the claims were not entitled to a certain priority date and were invalid over intervening prior art. After considering the declarations, the examiner allowed the claims. Because it found that these same arguments were advanced in Prism’s petition, the Board denied the petition under Section 325(d).



## B. Denials of Institution on Substantive Grounds

### ***The Board increasingly demands a stringent, fact-based analysis for unpatentability grounds.***

The bulk of the Board's institution denials in 2014 were in the context of prior art combinations, where it displayed an increased willingness to deny petitions that fail to support a proposed obviousness rejection with an "adequate rational underpinning." These decisions provide insight into what the Board is looking for when assessing whether the petitioner has carried its burden of establishing that the challenged claims will more likely than not be found unpatentable.

For example, in *Microsoft Corp. v. Copytele, Inc.*, IPR2014-00745, the patented technology related to a telecommunications security device adapted for use with voice and data communications. After concluding that the primary reference failed to inherently disclose some of the claimed elements, the Board criticized several aspects of the petitioner's obviousness analysis. Specifically, the Board faulted Microsoft for generally asserting without detailed explanation that, to the extent that any claim element was not expressly disclosed in alleged anticipator reference, such features were disclosed in the secondary references without identifying the differences between each prior art reference and the claims.

The Board also rejected Microsoft's justification for combining references. The Crowley reference relied upon by Microsoft disclosed a small portable device to secure valuable information and Microsoft argued that it would have been obvious to modify Crowley to add the encryption and decryption disclosed in the Morris reference. Microsoft asserted that motivation existed for the modification because it would meet the need of maintaining the security of valuable information through a portable security module. In rejecting this argument, the Board explained that "[b]ecause Crowley is already a portable security device that secures valuable information, Petitioner's reasoning that the proposed modification creates a portable device that likewise secures valuable information lacks an adequate rational underpinning." The Board also rejected Microsoft's argument that the ordinary artisan would be motivated

to combine the two references because they are both directed to solving the same need, noting that the "contention that the references solve the same need is better characterized as a contention that the references are analogous art than as a rational underpinning for the proposed combination."

Similarly, in *Kinetic Technologies, Inc. v. Skyworks Solutions, Inc.*, IPR2014-00529, the Board denied the IPR petition for failing to provide detailed arguments supported by fact-based reasoning. With respect to certain asserted obviousness grounds, the Board criticized petitioner's position that the proposed combination "involves no more than a combination of known elements, and the predictable use of such elements according to their established functions to yield predictable results" and "would involve nothing more than common sense or ordinary routine practice of the person of ordinary skill in the art." The Board explained that these generic assertions were no "substitute for a fact-based analysis of the proposed combination of references necessary to support those conclusions."

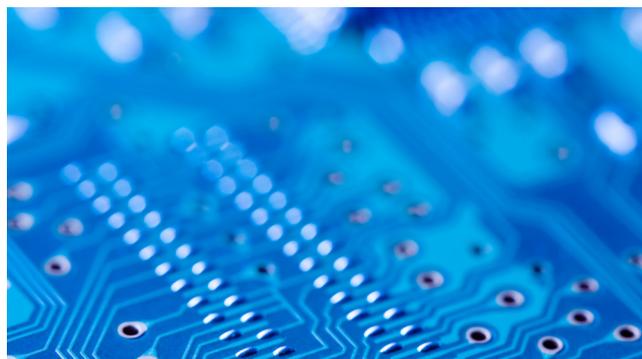
For other proposed obviousness grounds, the Board rejected petitioner's argument that "it would have been obvious to substitute Loke's 'signaling scheme' with Adlhoch's 'signaling scheme' because 'Loke suggests that signaling schemes other than PDM may be used.'" The Board noted that the petitioner and its expert had failed "to explain why a person of ordinary skill in the art would have combined elements from specific references *in the way the claimed invention does*." The petition and supporting declaration had lacked a "fact-based analysis of why a person of ordinary skill would realize that Loke's circuit needed or would benefit from inter-digit timer 13 disclosed in Adlhoch." Thus, the petitioner's assertion that there was a general motivation to combine the two references was insufficient, as the Board demanded specific motivation to modify the references in the particular manner required by the claims.

The Board's approach in *Kinetic Technologies* underscores the importance of a rigorous and detailed

fact-based obviousness analysis that precisely addresses the disclosure in the prior art and explains specific reasons why a skilled artisan would be motivated to combine references in same manner as required by the claims.

Similarly, in *TRW Automotive US LLC, v. Magna Electronics Inc.*, IPR2014-00296, IPR2014-00297 and IPR2014-00298, the Board rejected obviousness arguments for failing to sufficiently articulate why an ordinary artisan would have combined references. The Board noted that, with respect to certain claim limitations, TRW did not provide a persuasive, fact-based analysis to support the proposed combinations. TRW had relied on its expert to argue that an ordinary artisan would have sought to modify a reference disclosing an older electron gun tube television camera to include an improved CMOS sensor, which advantageously had lower-power requirements. But the claim at issue also required a “plurality of exposure periods,” which the Board noted that TRW’s arguments had failed to address. Furthermore, TRW’s expert merely summarized his view of the prior art without explaining or providing persuasive evidence demonstrating that the combination would have been obvious.

In other IPR proceedings involving the same parties, the Board likewise denied TRW’s petitions for failing to adequately support a proposed obviousness rejection. *TRW Automotive US LLC v. Magna Electronics Inc.*, IPR2014-00257, IPR2014-00258, IPR2014-00259, IPR2014-00263, IPR2014-00265. The patented technology related to image sensing systems for controlling the headlights of a vehicle. In one proceeding, after concluding that none of the relied-upon references disclosed “spatial filtering,” the Board addressed



Petitioner’s argument that the references were properly combined because the proposed modification “would merely be a use of known techniques to improve similar devices in the same way.” Rejecting this assertion, the Board held that the “[r]estatement of general [KSR] principles on what may constitute a supporting rationale cannot substitute for specific application of those principles to the facts.” The Board reached similar conclusions in other petitions filed by TRW, which relied on much of the same prior art and expert analysis.

As with *Kinetic Technologies*, the Board’s decisions in the *TRW Automotive* cases is indicative of the strict scrutiny the Board is applying to proposed obviousness rejections. The fact that there may have been an advantage resulting from the combination of two references may not be sufficient if the advantage does not relate to the claimed feature that is lacking in the primary reference. The latter series of cases is also instructive in that it shows that the Board is acting consistently across related IPR petitions.

## C. Denials of Institution on Technical Grounds

### ***Extensive reliance on expert testimony in lieu of citations to the prior art is grounds for denial of an IPR petition.***

The Board is increasingly scrutinizing how petitioners cite to and rely on expert declarations. While the Board favors expert testimony over attorney argument, it has denied petitions and refused to consider expert declarations when it perceives a petitioner is using expert declarations to circumvent page limits. Petitions must contain a “full statement of the reasons for the relief request, including a detailed explanation of the significance of the evidence.” 37 C.F.R. § 42.22(a)(2). If arguments and evidence in a declaration are not sufficiently discussed in the petition itself, the Board may decline to consider such evidence or argument found in the declaration.

In *Cisco Systems, Inc. v. C-Cation Technologies, LLC*, IPR 2014-00454, the Board denied a petition largely on the ground that it improperly incorporated by reference voluminous portions of an expert declaration without sufficiently explaining the testimony in the petition. Signaling the significance of this issue to future petitions, the Board designated its decision as “informative.” The Board explained that “using footnotes to cite large portions of another document, without sufficient explanation of those portions, amounts to incorporation by reference.” It refused to consider any arguments that were only detailed in the declaration and declined to institute IPR.

In *Oxford Nanopore Technologies Ltd. v. University of Washington*, IPR2014-00512, the Board addressed a different, albeit related, concern. There, the petition only referenced paragraph numbers from the expert declaration, but did not substantively discuss the expert testimony. Denying the petition, the Board explained, “we decline to consider information presented in a supporting declaration, but not discussed in a petition, because, among other reasons, doing so would encourage the use of declarations to circumvent the page limits that apply to petitions.” Relying on 37 C.F.R. § 42.6(a)(3),

which prohibits incorporation by reference, the Board explained that “essentially none of the discussion in the cited paragraphs of the Branton Declaration, allegedly explaining why an ordinary artisan would have combined [the prior art] appears in the Petition” and declined “to import the extensive discussion regarding obviousness ... into the Petition, based solely on the Petition’s citation of certain paragraphs within the declarations.”

The takeaway from these cases is that all important arguments for unpatentability should be expressly addressed and fleshed out in the petition itself, and not buried in a supporting expert declaration or claim chart.

### ***Expert testimony must disclose the underlying facts or data on which the opinion is based if it is to be accorded any weight.***

In *Kinetic Technologies, Inc. v. Skyworks Solutions Inc.*, IPR2014-00529 and IPR2014-00530, the petitioner challenged claims as anticipated and obvious over a common reference, but only provided an anticipation analysis. As an initial matter, the Board refused to consider obviousness since there was no supporting rationale provided in the petition. As for anticipation, the Board faulted the petitioner for relying on an expert declaration that was “substantively identical to the corresponding text of the Petition” and merely repeated arguments from the petition. The Board explained, “[e]xpert testimony that does not disclose the underlying facts or data on which the opinion is based is entitled to little or no weight” and afforded the expert declaration “no probative weight.”

### ***Presenting too many arguments in an IPR petition is grounds for denial.***

In *Zetec, Inc. v. Westinghouse Electric Co., LLC*, IPR2014-00384, the Board denied a petition in part because it asserted too many grounds that were not sufficiently addressed and argued in the petition. For example, the petition proposed constructions for six

claim terms, but failed to provide any citations to the specification or explain why its constructions comported with the ordinary and customary meaning of the terms. Moreover, the petition presented 127 asserted grounds of unpatentability, none of which were developed or supported by expert testimony or other evidence. The Board explained that the petition placed “a significant and unfair burden on the Patent Owner to respond adequately to underdeveloped arguments for numerous asserted grounds,” as well as on the Board, which would have to “attempt[] to evaluate fully the numerous grounds.” This decision highlights the Board’s disfavor of a “shotgun” approach in IPR petitions.

***The Federal Circuit confirms that denial of an IPR petition on Section 315(b) grounds is not reviewable on appeal.***

Finally, the Federal Circuit in 2014 confirmed that the Board’s denial of an IPR petition under Section 315(b) was not reviewable on appeal. In *St. Jude Medical v. Volcano Corp.*, No. 2014-1183 (Fed. Cir. 2014), the patent owner sought review of the Board’s denial of its petition on Section 315(b) grounds. The Federal Circuit dismissed the appeal, holding that the AIA permits appeals of the Board’s final written decision only after an IPR has been instituted. In support of this decision, the court cited 35 U.S.C. §314(d), which provides: “The determination by the Director whether to institute an *inter partes* review under this section shall be final and nonappealable.” Similarly, in *In re Dominion Dealer Solutions, LLC*, 749 F.3d 1379, 1381 (Fed. Cir. 2014), the Federal Circuit held that petitioners could not seek review of PTO decisions denying institution on mandamus grounds.

With respect to patent owner challenges to institution of IPR, the Federal Circuit held in 2014 that interlocutory



challenges of a decision to institute IPR were unappealable and could not be challenged using mandamus. *In re Procter & Gamble Co.*, 749 F.3d 1376, 1378-79 (Fed. Cir. 2014). The first case where a patent owner has challenged IPR institution after a Board’s final written decision is *In re Cuozzo Speed Techs*, Case No. 2014-1301 (Fed. Cir. Feb. 4, 2015). In this case, *Cuozzo* complained that the Board issued a final written decision on a ground that was different from anything in the petition for IPR. It was undisputed that the petitioner could have petitioned for IPR based on the ground of unpatentability adopted by the Board. The Federal Circuit held that while mandamus may be available to challenge issues involving institution of IPR, the patent owner was unable to meet the clear and unmistakable error standard for mandamus.

The first case challenging the Patent Office’s determination that the patent at issue was eligible for the proceeding — whether the patent at issue is a covered business method — is *Versata Development Group v. Lee*, Case No. 2014-1145 (Fed. Cir.), which as of this writing has yet to be decided.

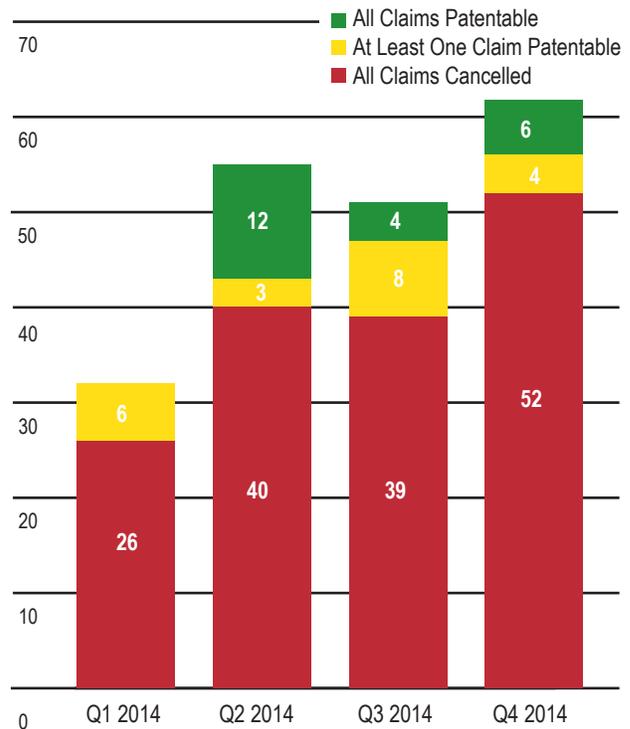
## II. Final Written Decisions

As in the previous year, it remained difficult in 2014 to maintain the patentability of claims once the Board institutes IPR. Of the 196 final written decisions published in 2014, 157 concluded that all the patent claims at issue were unpatentable. Another 21 decisions found at least one claim to be unpatentable. Only 18 final written decisions ultimately found all the claims at issue to be patentable. Statistically, this means that, on average, once the Board instituted IPR, the patent owner eventually lost all its claims about 80 percent of the time, and it lost at least one of its claims 91 percent of the time. In 2014, a patent owner thus had less than a 10 percent chance of emerging from the IPR with all its claims intact. Coupled with the high rate of IPR petition grants and the increasing trend of the Board to grant petitions in full, this is not encouraging news for patentees. This data tends to lend credence to critics' charge that the Board has been functioning as a virtual patent "death squad."<sup>1</sup>

Moreover, a review of those decisions in which one or more patent claims were found to be patentable reveals that, more often than not, such decision were the result of avoidable errors on the part of the petitioner. In many cases the Board's finding of patentability rested principally on the petitioners' failure to refute the patentee's expert declaration with credible counter-evidence. In some cases, the petitioner failed to submit an expert declaration at all, submitted only a conclusory declaration, or submitted a declaration from someone who lacked the requisite qualifications at the relevant time to be considered a skilled artisan. In other cases, the Board found the petitioner and its declarants failed to provide specific reasons for why and how an ordinary artisan would combine elements from multiple prior art references, or failed to demonstrate that the alleged combination would even be operable.

Accordingly, in the roughly 20 percent of final written decisions in which the Board found at least one claim to be patentable, most were the result of sloppy advocacy on the part of the petitioner once the IPR was instituted, such as by failing to credibly refute the patentee's

arguments and expert testimony. To be sure, a petitioner should focus its efforts on the initial petition, which, if granted, ensures the petitioner stands a very good chance of ultimately prevailing in the IPR. However, the petitioner should not assume that, just because the petition is granted, its work is done. It must contend with the patent owner's supporting expert testimony, which, if not adequately refuted, may lead the Board to reverse course and find the claims at issue to be patentable.



Source: DocketNavigator.com

**Unrefuted expert testimony can make all the difference in a close call on obviousness.**

*Amneal Pharmaceuticals, LLC v. Supernus Pharmaceuticals, Inc.*, IPR2013-00372, IPR2013-00368 and IPR2013-00371, marked the first-ever successful defense of a pharmaceutical patent in an AIA review. The IPRs involved three Orange Book-listed patents for Oracea® (doxycycline). The IPR proceedings began in

<sup>1</sup> Former Chief Judge of the Federal Circuit Randal R. Rader dubbed the Board a "death squad" for patents in October 2013. See Brian Mahoney, "Software Patent Ruling a Major Judicial Failure, Rader Says," *Law360* (Oct. 25, 2013), available at <http://www.law360.com/articles/482264>.

June 2013, when Amneal filed IPRs against the three patents on four different grounds of obviousness. The patent owner, Supernus, filed responses arguing that the patents had already overcome the cited prior art combinations in prosecution and been determined valid over those same combinations in a previous district court litigation. In December 2013, the Board instituted each of the IPRs, finding that Amneal had established a reasonable likelihood that it would prevail on one of the four grounds raised in its petitions. The IPRs were consolidated and oral argument was held in August 2014.

In its final decisions, the Board's claim construction focused on the term "delayed release." Adopting petitioner Amneal's proposed construction of the term, the Board construed it to mean "release of a drug at a time other than immediately following oral administration." Despite the broad construction, the Board nonetheless found that Amneal had failed to demonstrate that the cited prior art disclosed the claimed "delayed release." Critical to the Board's reversal was the testimony of Supernus' expert, Dr. Rudnic, who testified that the release provided by the key reference began promptly after oral administration and thus did not constitute "a delayed release," as claimed. Amneal argued, however, that there would be a lag in the initial release of drug, and pointed to deposition testimony from Dr. Rudnic suggesting there would "be some lag," but noting that a skilled artisan "wouldn't consider that a delay."

The Board was persuaded by Dr. Rudnic's testimony, and was unconvinced by Amneal's "delay" argument. It noted that Amneal had not cited credible evidence refuting Dr. Rudnic's testimony nor explained how there is any appreciable delay in the onset of drug release once the drug is ingested. Crediting Dr. Rudnic's testimony, the Board agreed that the time required to wet the material — the so-called "lag" mentioned in Dr. Rudnic's deposition testimony — would not be considered a delay. Finally, the Board concluded that since Amneal had failed to demonstrate that the prior art disclosed a "delayed release" its other arguments were untenable, and thus concluded that Amneal had not established that the challenged claims were obvious on the asserted grounds. Dr. Rudnic's testimony was essentially unrefuted, and the Board's willingness to reverse course showed the importance of credible expert testimony.

The Board continues to credit expert testimony when it is sufficiently supported with factual reasoning. The *Amneal* decisions highlight the importance of making sure the other side's expert testimony is not uncontested.

***Independent evidence corroborating an alleged reduction to practice date necessary to overcome initial finding of unpatentability based on 35 U.S.C. 102(e).***

In *Sequenom, Inc. v. The Board of Trustees of The Leland Stanford Junior University*, IPR2013-00390, the patent at issue, U.S. Pat. No. 8,195,415, relates to non-invasive prenatal genetic diagnostic methods for detecting chromosomal aberrations. The '415 patent is also involved in a co-pending district court case and an interference. It had also been the subject of a second IPR petition, IPR2014-00337, which the Board had refused to institute. In this proceeding, however, the Board instituted IPR on all 17 challenged claims, concluding that petitioner Sequenom was likely to establish the claims were unpatentable over Lo, prior art under 35 U.S.C. 102(e). Despite instituting the IPR, however, in its final written decision, the Board withdrew all the proposed grounds of rejection.

Stanford had argued that a reference (Lo) was not proper 102(e) prior art because its filing date fell after the inventors had reduced the '415 patent invention to practice. In support of its argument, Stanford submitted drafts of a *PNAS* paper co-authored by the two inventors of the '415 patent, related email correspondence and testimony by one of the other *PNAS* paper co-authors, Dr. Blumenfeld. This evidence persuaded the Board that Stanford "has advanced sufficient evidence, independent of the inventors' testimony, to corroborate" the alleged reduction to practice date of the claimed invention. The Board noted, in particular, that Dr. Blumenfeld's testimony demonstrated that the '415 patent inventors had circulated a draft of the *PNAS* paper before Lo's filing date.

***Proposed grounds of obviousness must include sufficient explanation including "articulated reasoning with some rational underpinning to support the legal conclusion of obviousness."***

As noted above, the Board denied several IPR petitions in 2014 for failing to provide "an adequate rational underpinning" for the proposed rejection. In some instances, however, the Board arrived at the same conclusion after instituting the IPR and considering all the totality of the evidence. For example, in *Ariosa Diagnostics v. Verinata Health, Inc.*, IPR2013-00276 and IPR2013-00277, the patent at issue relates to methods of detecting the presence or absence of an abnormal number of chromosomes in a fetus, a condition known as fetal aneuploidy. Petitioner filed two petitions, one against claims 1-18, and another against claims 19-30.

The Board instituted IPR on all 30 of the patent's claims on grounds of obviousness over the combined teachings of Shoemaker, Dhallan and Binladen. In its final written decision, however, the Board reversed course, concluding that petitioner had failed to prove by a preponderance of the evidence that the claims were unpatentable. Petitioner submitted two declarations in support of its assertions that skilled artisans would have



known that Shoemaker’s methods for determining fetal aneuploidy could be carried out with the use of cell-free DNA described in Dhallan and the multiplexed PCR techniques taught in Binladen.

The Board held that petitioner and its supporting declarations identified disparate elements of Shoemaker, Dhallan and Binladen, and attempted to map such elements to the challenged claims. However, they failed to sufficiently describe “how or where the references differ from the challenged claims, how one of ordinary skill in the art would go about combining their disparate elements, or what modifications one of ordinary skill in the art would necessarily have made in order to combine the disparate elements.” As such, petitioner did not meet the requirements set forth in *In re Kahn*, 441 F.3d 977, 988 (Fed. Cir. 2006), because they did not include any “articulated reason with some rational underpinning to support the legal conclusion of obviousness.”

Of note, petitioner had more success challenging a second Verinata patent relating to detecting fetal aneuploidy. In *Ariosa Diagnostics, Inc. v. The Board of Trustees of The Leland Stanford Junior University*, IPR2013-00308, the Board found all 13 challenged claims of the second patent to be unpatentable. Notably, both patents are subject to two concurrent litigations in the Northern District of California. In both cases, Judge Susan Illston opted not to stay the cases pending IPR of the patents.

***The Board will discount testimony from a declarant who was not a person of ordinary skill in the art at the earliest time the claims are entitled to priority.***

In *SCHOTT Gemtron Corp. v. SSW Holding Co., Inc.*, IPR2013-00358, the patent at issue relates to refrigerator shelving having a top hydrophobic surface arranged in a pattern designed to prevent spilled liquid from spilling onto other surfaces. Petitioner asserted that the patent claims were obvious, providing a supporting declaration from Chris Schechter, an engineer with two years’

experience. After instituting IPR against the challenged patent claims, the Board determined in its final written decision that petitioner had not shown by a preponderance of the evidence that the challenged claims were obvious.

The principal issue in the IPR was the effective filing date of the patent. Petitioner argued that the challenged claims could not claim priority to two earlier provisional applications because those earlier applications failed to provide written description support for the claims. But the Board disagreed, concluding that one of the provisional applications — the ‘273 application — did in fact support the claims. As such, the relevant time period for determining the level of ordinary skill in the art was the filing date of the ‘273 application, June 2008. The Board also determined that a skilled artisan, at that time, would have had a degree in mechanical engineering and at least three years’ experience working with refrigerator shelf assemblies. Under this standard, petitioner’s declarant, Mr. Schechter, did not qualify as a person of ordinary skill in the art because he had less than two years of experience when he filed his declaration. As a result, the Board accorded Mr. Schechter’s testimony regarding the alleged obviousness of the claims “less weight.”

Turning to the merits of the obviousness challenge, the Board found that the principal prior art reference, which dealt with microscope slides, was not reasonably pertinent to the claimed invention, specially designed refrigerator shelves. Accordingly, a skilled artisan would not have been motivated to combine references in the manner proposed by petitioner. The Board also concluded that, even if the references were properly combined, petitioner had not shown that the combination would have rendered the claims obvious. As such, the Board did not even reach patent owner’s proffered secondary considerations arguments.

***Where a proposed combination of references produces an inoperable assembly, they cannot serve as predicates for a prima facie case of obviousness.***

In *Shaw Industries Group Inc. v. Automated Creel Systems, Inc.*, IPR2013-00132, and IPR2013-00584, the patent at issue relates to creels used for supplying stranded materials (e.g., yarn) to a machine for subsequent fabrication of articles. The Board instituted IPR against claims 1-21 on various grounds of anticipation and obviousness. Among the proposed grounds of rejection in the petition was that claims 6, 7, 13, 15-18 and 21 were obvious over Múnnekehoff in view of Ligon. According to petitioner and its expert, it would have been obvious to replace Múnnekehoff’s disclosed single bobbin arrangement with a pair of bobbins

as taught by Ligon, at least because Ligon's pair of bobbins would double the runtime for each section before needing replacement.

In its final written decision, the Board found most of the claims unpatentable, but reversed course with respect to claims 6, 7, 13, 15-18 and 21, concluding that petitioner had failed to meet its burden as to these claims for two reasons. First, the Board agreed with patent owner's declarant that MÜNNEKEHOFF could not be simply modified to include a pair of bobbins. Rather, the proposed modification "would result in an inoperable assembly" because of ensnarement of materials, requiring a complete redesign of the MÜNNEKEHOFF apparatus. Citing Federal Circuit precedent, the Board held that because the combination of references produced an inoperable assembly, they actually "teach away from the combination and thus cannot serve as predicates for a *prima facie* case of obviousness." Petitioner submitted a reply declaration explaining that a skilled artisan would understand how to modify the combined arrangement to avoid the inoperable result. But the Board noted that this analysis had not been included with the petition, and thus constituted improper reply evidence under the Board's rules of practice. Moreover, even if the analysis had been included with the petition, the Board still deemed it unpersuasive.

Second, the Board found that a skilled artisan would not have been motivated to combine MÜNNEKEHOFF with Ligon because MÜNNEKEHOFF uses multiple sharp turns in guiding thread from the bobbins, whereas Ligon discourages the use of sharp turns. Petitioner's arguments to the contrary were deemed unpersuasive in overcoming the explicit disclosure in Ligon of "minimizing sharp changes in direction" of the yarn. As such, the Board concluded that a skilled artisan would not have looked to Ligon to modify MÜNNEKEHOFF.

***For inherent anticipation, it is not enough for petitioner to show that the prior art discloses a feature that could meet a claim limitation; rather, petitioner must show the prior art feature is that limitation.***

In *ZTE Corp. & ZTE (USE) Inc. v. ContentGuard Holdings Inc.*, IPR2013-00133, IPR2013-00137, IPR2013-00138 and IPR2013-00139, the four patents at issue relate generally to the distribution and enforcement of usage rights of digital works, including audio, video, text and multimedia works. ZTE filed four IPR petitions challenging similar claims in the four related patents after ContentGuard filed a patent infringement lawsuit against it. After initially instituting IPR against all the challenged patent claims on inherent anticipation grounds, the Board concluded in its final written decision that ZTE had not, in fact, demonstrated by a preponderance of the evidence that the challenged claims were inherently anticipated.



In each of the four cases, the Board's decision turned on the construction of the term "repository." In its decision to institute, the Board construed this term to mean "a trusted system that maintains physical, communications and behavioral integrity, and supports usage rights." The Board retained this construction in its final decision, observing that the specification provided a definition for the term, stating that "a repository is a trusted system in that it maintains physical, communications and behavioral integrity." (emphasis added.) The Board found that by including the verb "is" (as opposed to "may" or "can") in the definition, ZTE had made the definition of "repository" explicit. Though contradictory evidence also existed, the Board noted that "the evidence does not have to point uniformly in a single direction." The Board further noted that, in referencing "physical integrity," "communications integrity" and "behavioral integrity," the specification utilized permissive terms such as "may" and "can." Thus, the Board found that the specification did not include express definitions for those terms.

ZTE argued that the Board construed the term "behavioral integrity" too broadly in one sense, and that the term should be restricted to software that makes the repository operative. The Board disagreed, pointing to portions of the specification that disclosed functionality beyond "repository software." ZTE also argued that the Board's construction was too narrow in another sense, and that, contrary to the Board's construction, the term did not require a digital certificate. The Board again disagreed, noting that restrictive language in the specification did not support ZTE's more expansive construction.

The Board next turned to the proposed anticipation rejection, which focused on whether the cited prior art necessarily included a digital certificate authenticating the source software, thus satisfying the "behavioral integrity" limitation. ZTE argued that a skilled artisan would have understood that such a certificate was inherent in the prior art. The Board, however, framed the issue as "not merely whether one with ordinary skill in the art would have recognized that [the prior art procedures] include using a digital certificate to authenticate the source of the software, but whether those procedures necessarily require a digital certificate." In this regard, it quoted *In re*



*Oelrich*, 666 F.2d 578, 581-82 (CCPA 1981): “Inherency, however, may not be established by probabilities or possibilities. The mere fact that a certain thing may result from a given set of circumstances is not sufficient.” The Board rejected petitioner’s expert’s testimony that the prior art’s decryption key could serve as or substitute for a digital certificate authenticating the source of a software, finding it too tenuous to support inherent anticipation, which requires that the decryption key itself *be* a digital certificate. Because the Board was not persuaded that a digital certificate was necessarily required by the prior art, it concluded that ZTE had failed to meet its burden.

***An expert’s failure to adequately establish a prima facie case of unpatentability in an initial declaration cannot be remedied by supplemental analysis in a reply declaration.***

In *Avaya Incorporated. v. Network-1 Security Solutions, Inc.*, IPR2013-00071, IPR2013-00385 and IPR2013-00495, the patent at issue related to an apparatus and method for automatically determining if remote equipment is capable of remote power feed and, if so, then providing power in a reliable and non-intrusive way. Avaya filed the initial petition, and the Board instituted IPR against claims 6 and 9 on two grounds: anticipation by Matsuno, and obviousness in view of De Nicolo and Matsuno. Subsequently, Dell, Sony and Hewlett-Packard filed similar petitions, and each was joined as a party.

In its final written decision, the Board found that the petitioners had failed to meet their burden on both grounds. Specifically, petitioners had not shown that the alleged anticipatory reference, Matsuno, disclosed generating a “low level current,” which the Board had construed in the institution decision to mean “a current (e.g., approximately 20 mA) that is sufficiently low that, by itself, it will not operate the device.” Petitioners had not proposed an interpretation for this phrase in its petition, nor did it argue in its reply that the Board’s interpretation was incorrect. This claim interpretation was dispositive since petitioners’ expert could not point to anything in Matsuno disclosing a “low level current,” as that phrase had been construed by the Board. In addition, the Board found persuasive patent owner’s expert, who testified that Matsuno did not necessarily result in the access

device’s not being operable. The Board noted that, at the very least, it was “questionable as to what the language in Matsuno means, which does not amount to a preponderance of the evidence in favor of [petitioners].”

Finally, the Board faulted petitioners for raising new arguments in their expert’s reply declaration. The Board concluded that much of the testimony in the reply declaration should have been raised in the expert’s initial declaration. The Board noted that, unlike patent owner’s expert, petitioners’ expert “did not analyze the disclosure of Matsuno in detail and prepare a technical analysis explaining why the identified current is or is not a ‘low level current.’” As a result, the Board only reviewed petitioner’s reply declaration to determine whether it refuted the points raised by patent owner’s expert, and did not consider it as part of petitioners’ attempt to make out a *prima facie* case of unpatentability of the challenged claims.

***Where neither party establishes patentability or unpatentability by a preponderance of the evidence, the Board will side with the patent owner since the burden is on petitioner.***

In May 2013, the Board instituted IPRs on ten petitions brought by Corning Inc. against a family of eight patents owned by DSM IP Assets. See *Corning Inc. v. DSM IP Assets B.V.*, IPR2013-00043, IPR2013-00044, IPR2013-00045, IPR2013-00046, IPR2013-00047, IPR2013-00048, IPR2013-00049 and IPR2013-00050. The patents generally related to coated optical fibers used in fiber-optic telecommunications and computer networking. In May 2014, a five-member panel of the Board published final written decisions in all ten IPRs. Interestingly, most of the claims IPR had been instituted on were ultimately found to be patentable. Specifically, the Board found as follows:

- In IPR2013-00043, all 18 challenged claims survived;
- In IPR2013-00044, all 22 challenged claims survived;
- In IPR2013-00045, all 20 challenged claims survived;
- In IPR2013-00046, all 9 challenged claims were determined to be unpatentable for anticipation or obviousness;
- In IPR2013-00047, all 14 challenged claims survived;
- In IPR2013-00048 and IPR2013-00049, 44 out of 52 claims survived, while 8 were determined to be unpatentable;
- In IPR2013-00050, all 19 claims were determined to be unpatentable for obviousness; and

- In IPR2013-00052 and IPR2013-00053, 20 out of 57 challenged claims survived, while the rest were determined to be unpatentable.

While a discussion of each of these cases is beyond the scope of this review, the first two decisions are exemplary. The patents at issue, U.S. Pat. Nos. 7,171,103 and 6,961,508, both related to coated optical fibers' having primary and secondary coatings and to radiation-curable primary coating compositions. The primary coating provides "good microbending resistance," and simultaneously has a "high cure speed" that will not limit production rates. After instituting IPR on all 18 claims of the '103 patent and all 22 claims of the '508 patent, the Board changed course, concluding that Corning had failed to carry its burden of proving unpatentability with respect to all 40 of the challenged claims.

The Board began with claim construction, noting that the dispositive limitations of the '103 and '508 patents were "a cure dose to attain 95% of the maximum attainable modulus of less than 0.65 J/cm<sup>2</sup>" and "said primary coating is obtained by curing a primary coating composition having a cure dose to attain 95% of the maximum attainable modulus of less than 0.65 J/cm<sup>2</sup>," respectively. Turning to the evidence related to these limitations, the Board first examined the parties' conflicting expert declarations related to compositions made according to certain examples of one of the primary prior art references, Szum '157. It concluded that neither party had established by a preponderance of evidence that the examples in Szum '157 either inherently disclosed, or did not inherently disclose, the dispositive limitations. Although the Board noted that the parties' declarants both appeared to be qualified, it credited DSM's declarant with respect to petitioner's alleged inadequate cure dose proofs. The Board held that DSM's declarant's testimony was detailed and supported by underlying data, while Corning's was overly general and not credibly supported by underlying data. Because Corning had the burden of proof and had failed to meet it, the Board found that the claims could not be held unpatentable.

***An expert declaration supporting a prima facie case of obviousness should provide specific reasons to combine references for each of the challenged claims.***

In *Berk-Tek LLC v. Belden Inc.*, IPR2013-00057, the patent at issue was directed to a method of producing a cable. After instituting IPR on claims 1-6 of the patent on one or more grounds of unpatentability, the Board concluded in its final written decision that petitioner had failed to establish that dependent claims 5 and 6 were unpatentable. Specifically, the Board found that petitioner had failed to provide a sufficient reason to combine the



known elements of the two cited references, a Japanese patent and a Canadian patent. "In particular, Berk-Tek has not explained . . . why a skilled person predictably would have substituted twisted pairs of individually-insulated conductors as taught by CA '046 for the bare-metal single conductors in the method of JP '910." Moreover, even if petitioner had articulated a reason to combine, the Board found that the teachings of two references were too "inconsistent" to have been combined.

In reaching this conclusion, the Board was persuaded by the declaration of patent owner's expert, the inventor, who testified that persons of ordinary skill in the art would not have been motivated to combine the references. Although petitioner had submitted an expert declaration, the Board noted that, with respect to claims 5 and 6, "[o]n the present record, [patent owner's] arguments are unopposed."

***Evidence of prior conception requires independent corroboration; the credibility of an expert can influence a close case.***

In *ABB Inc. v. ROY-G-BIV Corp.*, IPR2013-00062 and IPR2013-00282, the patents related to a system that facilitates the creation of hardware-independent motion control software. Petitioner filed two IPR petitions, which were subsequently consolidated after the Board instituted IPR against claims 1-10 of the '236 patent on grounds of obviousness.

In its final written decision, the Board ultimately concluded that petitioner failed to meet its burden that claims 1-10 were likely unpatentable. As an initial matter, the Board addressed patent owner's argument that it had effectively antedated the prior art, based on testimony from the inventor and the inventor's time logs. In concluding that patent owner had not antedated the cited art, the Board noted that an inventor's allegations of early invention should be corroborated with evidence independent from that of the inventor. The Board found the inventor's testimony lacking given his "exceedingly high interest level . . . in the outcome" of the IPR and the



fact that the events testified to had occurred more than 20 years earlier.

Notwithstanding the availability of the prior art, the Board concluded that the references did not render claims 1-10 obvious. The Board's decision hinged on expert testimony. Petitioner, notably, did not rely on expert testimony in support of its petition. The patent owner relied on testimony from Dr. David Stewart, the author of one of the cited references. In response to the patent owner's position, petitioner submitted declarations from two professors who worked in the same laboratory as Dr. Stewart. Ultimately, the Board was persuaded by Dr. Stewart's testimony and found that petitioners' experts had failed to sufficiently rebut that testimony. In this regard, the Board pointed to cross-examination testimony from petitioners' experts, one of whom praised Dr. Stewart as "an intelligent man and a reliable computer scientist" whom he held "in high regard as a software engineer," and the other who testified that he had "submitted 'multiple' letters of recommendation for Dr. Stewart."

***After modifying its claim constructions, the Board finds most claims patentable; petitioner meanwhile challenges the Board's authority not to address all challenged claims in its final written decision.***

In *Synopsis, Inc. v. Mentor Graphics Corp.*, IPR2012-00042, the patent related to a method of modifying source code in order to make it easier to correct errors in the design of a circuit. The '376 patent has been the subject of heated litigation between patent owner Mentor Graphics and its rival Synopsis, which has resulted in a jury verdict of \$36 million plus royalties that is currently pending appeal. That verdict came just days after the Board handed Mentor Graphics another key victory, finding that Synopsis had failed to prove the unpatentability of many of the patent claims.

The IPR began in September 2012, when Synopsis filed a petition challenging claims 1-15 and 20-33 of the patent as unpatentable. In February 2013, the Board instituted the IPR as to claims 1-9, 11, 28 and 29 on the sole ground of anticipation by a patent to Gregory, but declined to institute proceedings on the other claims. A year later, the Board issued a final written decision, canceling only three claims as unpatentable, but refusing to cancel nine others. The Board began by revisiting the claim constructions it adopted in its institution decision. Finding Mentor Graphics' expert's testimony persuasive, it modified its construction of two key terms, "instrumentation" and "instrumentation signal." The Board's construction of the latter term, "instrumentation signal," was "central to the patentability determination."

Turning to the patentability of the claims, the Board's analysis turned on whether Gregory disclosed "an instrumentation signal indicative of an execution status of the at least one statement." Synopsis pointed to the disclosure in Gregory of an instrumentation signal, "tempout," as teaching this limitation. But Mentor Graphics' expert testified that an ordinary artisan would not consider the "tempout" as indicative of an execution status of the HDL statement. The Board gave Mentor Graphics' expert's testimony "substantial weight," and deemed Synopsis's arguments to the contrary "unsupported" and "not persuasive." Accordingly, the Board concluded that Synopsis had failed to carry its burden of unpatentability on nine of the twelve claims at issue.

Notably, Synopsis has appealed the Board's decision on various grounds, including its failure to address all the challenged claims in its final written decision. According to Synopsis, "[t]he board erred as a matter of law when — as has become its practice — it issued a final written decision that did not address all of the challenged claims. Not only does this practice contravene the [AIA's] plain text; perhaps not coincidentally, it effectively shields those claims from appellate review." According to Synopsis, the Board must "[i]ssue a final written decision with respect to not just selected claims, but any patent claim challenged by the petitioner." The Federal Circuit is expected to rule on Synopsis's appeal later this year.



### III. Procedural Rulings of the Board

The Board made several important rulings in 2014 affecting the conduct of IPR. Most notably, it granted its first-ever motion to amend upholding patent claims after amendment in IPR. Additionally, the Board showed an increased willingness to bring cases to a conclusion through termination upon settlement.

#### ***The Board grants its first contested motion to amend.***

The Board granted the first contested motion to amend in *Riverbed Technology, Inc. v. Silver Peak Systems, Inc.*, IPR2013-00403. In an unusual step, the patent owner conceded unpatentability of the original patent claims after receiving the institution decision. The entire IPR proceeding, including oral hearing, was then focused on the 15-page motion to amend filed by the patent owner, the 15-page opposition by the petitioner and the 5-page reply by the patent owner.

This case puts into perspective what is actually required for a patent owner to succeed on a motion to amend under the standards articulated by the Board in *Idle Free Systems, Inc. v. Bergstrom, Inc.*, IPR2012-00027. Under *Bergstrom*, the patent owner in its motion to amend should:

identify specifically the feature or features added to each substitute claim, as compared to the challenged claim it replaces, and come forward with technical facts and reasoning about those feature(s), including construction of new claim terms, sufficient to persuade the Board that the proposed substitute claim is patentable over the prior art of record, and over prior art not of record but known to the patent owner.

The successful patent owner in *Riverbed* dedicated the first third of its motion to presenting the proposed substitute claims, including three re-written independent claims. The motion to amend included four discrete sections: (1) a proposed construction of the amended claims; (2) a statement of support for the amended claims; (3) a discussion of how the claims were not broadened; and (4) a discussion of the allowability of the claims over the prior art. The motion sought to replace three independent claims of the original patent with three new independent claims, 28, 30 and 32. It also sought

to add dependent claims 29, 31 and 33 that would have depended from the newly proposed claims 28, 30 and 32.

The Board found that the patent owner had met its burden in showing patentability for proposed independent claims 28 and 30, but not claim 32, which included means-plus-function limitations insufficiently explained by the patent owner. With respect to the newly proposed dependent claims, the Board framed the issue as “whether Patent Owner has shown a special circumstance for making the additional changes in proposed substitute claims 29 and 31, such as a patentable distinction over the parent proposed substitute claims.” The Board noted that, “[t]o demonstrate a patentable distinction over parent proposed substitute claims 28 and 30 . . . we must assume the parent claims to be prior art.” The Board found that the new dependent claims did not meet this standard and thus were not responsive to the ground of rejection in the IPR.

The *Riverbed* analysis makes clear that, absent special circumstances, the focus on a motion to amend must be on the newly proposed substitute independent claims. When the focus is on those claims, the standard for establishing patentability in a motion to amend is high, but not insurmountable.

#### ***Proposed substitute claims no longer count toward page limit of a motion to amend.***

In a reprieve for patent owners, the Board relaxed the page limits for a motion to amend by permitting patent owners to place the text of the substitute claims in an appendix that does not count toward the 15-page limit. *Corning Optical Communications RF, LLC v. PPC Broadband, Inc.*, IPR2014-00441. Earlier Board decisions had noted that the listing of the claims counts toward the 15-page limit. Patent owners will no doubt welcome this rule as it frees up more space to provide substantive arguments in support of the amended claims.

#### ***In a motion to amend, the patent owner bears the burden to show that the proposed claims are not anticipated by or rendered obvious by the prior art.***

In *Athena Automation Ltd. v. Husky Injection Molding Systems Ltd.*, IPR2013-00290, the patent relates to injection molding machines that inject, under pressure,

injectable molding material into a mold cavity. The Board instituted IPR on 18 of the patent's claims on grounds of anticipation and obviousness, but in its final decision concluded that petitioner had failed to carry its burden on obviousness, thus preserving four of the claims. Specifically, the Board found that petitioner had failed to demonstrate that the two obviousness references combined in the same way as recited in the challenged claims, noting that the Federal Circuit has warned against treating claims as separate parts without considering the part-to-part relationship set forth in the claims.

The Board affirmed the unpatentability of 14 claims on anticipation grounds. Notably, it denied patent owner's motion to amend three of its claims. The Board noted that, while the evidence of record may not rise to the level of showing required to prove inherent anticipation, that is not petitioner's burden. Instead, it is patent owner's burden to show that it is entitled to the relief requested — entry of the proposed claim amendment — and patent owner had failed to show persuasive evidence that the proposed claims were not anticipated by, or obvious over, the prior art.

#### ***The Board clarifies the requirements for termination by settlement.***

Recent trends suggest that the Board is willing to terminate proceedings through settlement, but that parties should try to move for settlement early on to ensure termination. The statute is permissive on this point, providing that the Board need not terminate where it “has decided the merits of the proceeding before the request for termination is filed.” 35 U.S.C. § 317. Board rules reflect this authority, stating, “the Board is not a party to the settlement and may independently determine any question of jurisdiction, patentability, or office practice.” 37 C.F.R. § 42.74. The Board's decisions in 2014, however, signal that the point at which the Board has “decided the merits of the proceeding” is some point after final briefing is complete, and does not depend on whether an oral hearing has taken place.

Where the written briefing is not completed, the Board will not likely have “decided the merits of the proceeding” before making termination upon settlement a foregone conclusion. For example, in *Apex Medical Corp. v. ResMed Limited*, IPR2013-00512, the Board granted a joint motion to terminate even though the only substantive paper that remained to be filed was the patent owner's five-page reply to petitioner's opposition on the motion to amend. In granting the joint motion to terminate, the Board concluded, “we have not yet decided the merits of this proceeding, and the record is not yet closed.” Notably, the patent at issue was the subject of an exclusion order issued in ITC Investigation No. 337-TA-879, and a stayed district court action, *ResMed Inc. et al. v. Apex Medical Corp. et al.*, No. 8:13-cv-00498 (C.D. Cal.).

The Board reached a different conclusion in *Blackberry Corp. v. MobileMedia Ideas, LLC*, IPR2013-00036. There, the parties had filed a joint motion to terminate upon settlement exactly two months after the oral hearing. In its decision granting-in-part the motion to terminate the Board terminated the proceeding with respect to the petitioner but not the patent owner. Relying on 35 U.S.C. § 317 and 37 C.F.R. § 42.74, the Board proceeded to issue a final written decision despite the parties' settlement. Interestingly, the Board wound up terminating the proceeding on a different ground, namely, that it could not render a decision on prior art due to the indefiniteness of the claims, an issue that could not serve as a basis for invalidity in an IPR proceeding.

The refusal to terminate after settlement in *MobileMedia* is an outlier among the Board's rulings on motions to terminate. Recent decisions suggest a willingness on the Board's part to terminate upon settlement by the parties even after the oral hearing. For example, in *TPK America, LLC v. Wintek Corp.*, IPR2013-00433, the Board terminated the proceeding even though the joint motion to terminate was filed more than three months after the oral hearing took place. The Board acknowledged that “Congress and federal courts have expressed a strong interest in encouraging settlement in litigation.” Noting that the policy does not require it to terminate upon settlement, the Board explained that, “in exercising our independent determination, we generally expect that a proceeding will terminate after the filing of a settlement agreement.”

Another statutory requirement for termination through settlement is that the parties file with the Board “[a]ny agreement or understanding between the patent owner and a petitioner, including any collateral agreements referred to in such agreement or understanding, made in connection with, or in contemplation of, the termination of an *inter partes* review.” 35 U.S.C. § 317(b). In *HTC Corp. & HTC America, Inc. v. Wireless Mobile Devices LLC & Telecommunication Systems, Inc.*, IPR2014-00622, the Board raised concerns that the parties' settlement agreement filed with the Board did not comply with the statute. Specifically, the Board found that “[u]pon inspection . . . the panel is concerned that, on its face, the filed agreement appears not to be the only agreement made in connection with, or in contemplation of, the termination of the proceeding.” In response to the Board's request after a conference call, the parties filed a patent rights agreement that was referred to in the settlement agreement. All agreements were filed confidentially with the Board. After satisfying itself that all relevant agreement had been submitted, the Board terminated the proceeding.

***The Board is increasingly reluctant to stay reexaminations or reissues before institution of IPR.***

During the first year of IPR, the Board reflexively stayed other PTO proceedings (e.g., reexaminations and reissues) even before rendering its decision to institute IPR. As the rate at which IPRs have been denied or partially instituted has grown, the Board has become increasingly reluctant to stay other proceedings in advance of its decision on institution. In *Nissan North America, Inc. v. Norman IP Holdings, LLC*, IPR2014-00563, the Board declined to stay a co-pending *ex parte* reexamination proceeding prior to institution. The Board stated, “[g]iven the preliminary stage of the instant proceeding, in which the Board has not yet decided whether to institute an *inter partes* review, and the advanced stage of the reexamination, we deny Patent Owner’s request for authorization to file a motion to stay the *ex parte* reexamination.” Notably, because the *ex parte* reexamination was on appeal, there was no opportunity for the patentee to add additional claims in that proceeding that may conflict with the IPR. While the Board authorized additional briefing on the stay issue after it instituted the proceeding, as of this writing, the Board had not decided the issue.

***The Board remains unwilling to stay IPR proceedings.***

The Board continues to deny motions to stay an IPR proceeding due to the statutory mandate to conclude the proceeding within one year of institution. In *Rackspace US, Inc. & Rackspace Hosting, Inc. v. PersonalWeb Technologies, LLC*, IPR2014-00057, a case involving a subsequently filed IPR containing many of the same unpatentability grounds as contained in the first-filed IPR, the Board refused to stay the second IPR. The Board made clear that any difference in the proceedings would provide a reason to reject staying one in view of the other, stating “[a]lthough . . . both [proceedings] challenge the ’791 patent based on anticipation by, or obviousness over, the same Woodhill reference . . . this proceeding is different . . . because it presents new testimony, new witnesses, relies upon new disclosures in Woodhill, and challenges an additional claim in the ’791 patent—namely, claim 35.” According to the Board, “[g]iven these differences, granting PersonalWeb’s Motion to Stay would contravene our mandate to secure the just, speedy, and inexpensive resolution of this proceeding.”

***The Board curbs incorporation by reference practice in IPR petitions.***

As noted above, in *Cisco Systems, Inc. v. C-Cation Technologies, LLC*, IPR2014-00454, the Board issued an “informative” opinion warning petitioners not to incorporate arguments into the petition through their expert declaration. The petition included four footnotes that referenced 17 pages of declaration, including 11

pages of claim charts. The claim charts in the petition also referenced claim charts in Cisco’s expert declaration. Finally, the petition included “citations to [Cisco’s expert declaration] to support conclusory statements” without argument or explanation. The Board explained that these practices amount to incorporation by reference. Citing 37 C.F.R. § 42.6(a)(3), which provides “[a]rguments must not be incorporated by reference from one document into another document,” the Board explained that “it will not consider arguments that are not made in the Petition, but are instead incorporated by reference to the cited paragraphs and claim charts of [the] Declaration.”

***The Board sparingly grants additional discovery in IPR proceedings***

The IPR rules provide two types of discovery: (1) routine discovery and (2) additional discovery. Routine discovery includes the requirement for a party to disclose inconsistent positions, and provides that every declarant in the proceeding may be cross-examined by the opposing party. It is automatic and does not require pre-authorization from the Board. Additional discovery includes any other discovery the parties may wish to pursue, and must be in the “interest of justice.” The Board has explained that it considers several factors, known as the *Garmin* factors, when deciding whether to grant additional discovery, including (1) whether there is more than a possibility that something useful will be found; (2) the discovery does not seek litigation positions and underlying bases thereof; (3) the proponent of discovery cannot get the information by other means; (4) the requests include easily understandable instructions; and (5) the requests are not overly burdensome to answer. *Garmin Int’l, Inc. v. Cuozzo Speed Techs. LLC*, IPR2012-00001. In 2014, the Board continued to generally deny requests for additional discovery in IPR proceedings, citing the *Garmin* factors.

In 2014, the Board granted limited additional discovery in a number of cases. For example, in *Corning Inc. v. DSM IP Assets B.V.*, IPR2013-00043, the Board required production of laboratory notebooks where the other side’s expert relied on testing data that was recorded in the notebooks. In *Apple Inc. v. Achatas Reference Publishing, Inc.*, IPR2013-00080, the Board ordered the production of emails where the patent owner’s two experts communicated via email as part of their process of formulating their opinions. In *International Securities Exchange, LLC v. Chicago Board Options Exchange, Inc.*, IPR2014-00097, the Board granted the patent owner’s request for a file wrapper of an abandoned patent application. In that case, the petitioner had characterized the same references used in the IPR during prosecution of the abandoned application. In each case, the volume of documents produced was minimal and the discovery was clearly seeking documents that indisputably existed.



2014 showed that *Inter Partes* Review is an attractive forum for a defendant to seek a streamlined determination of a patent's validity, with there being about a 80% chance that a patent under review will not emerge with any patentable claims. Likely in view of an ever-increasing caseload, the Board has been willing to apply more scrutiny to the petitions for IPR, and reject them for procedural informalities as well as other filing requirements. In some cases, it appears that the Board is applying stricter scrutiny to the invalidity analysis set forth in petitions. As the second full year of final decisions approaches, it remains to be seen whether the increased scrutiny on petitions that may weed out the weaker cases will lead to even a higher percentage of final decisions in favor of the petitioner.

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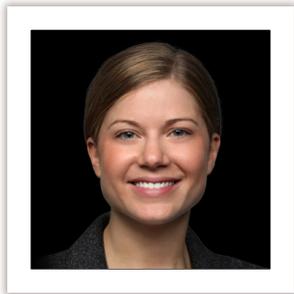
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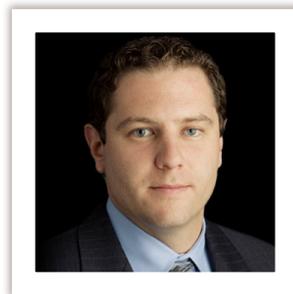
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