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## **For Whom the Bell Tolls: The Pendulum Swings at the Patent Trial and Appeal Board**

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# For Whom the Bell Tolls: The Pendulum Swings at the Patent Trial and Appeal Board

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## I. Background

The Leahy-Smith America Invents Act (“AIA”)<sup>2</sup> and, in particular, the post grant review proceedings that the AIA created have been heavily criticized as “pro-petitioner.”<sup>3</sup> Former Chief Judge Rader of the Federal Circuit went so far as to label the Patent Trial and Appeal Board (“PTAB” or “Board”) “death squads killing property rights.”<sup>4</sup> Early on, those criticisms were not without some merit. Recent changes at the PTAB—both court-ordered and Director-initiated—appear to be realigning the proceedings in a more patentee-friendly manner.

In the first few years of the AIA, the PTAB invalidated patent claims at an alarming rate for issued patents that already had undergone examination and carried a well-earned presumption of validity.<sup>5</sup> In the first year, for example, the PTAB instituted a trial in some 87% of cases, concluding that the challenged patents had at least one claim that was more than likely unpatentable.<sup>6</sup> Patent Owners’ odds did not improve much at trial, even after considering the rebuttal evidence.<sup>7</sup>

There are many reasons for these seemingly skewed outcomes. There can be no doubt that the statutory structure of the AIA itself contributed to the high invalidity rate. First and foremost, the AIA lowered the bar on the standard of proof necessary to invalidate an issued patent claim from “clear and convincing” to a mere “preponderance of the evidence.”<sup>8</sup> The statute also set the

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<sup>2</sup> Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified in scattered sections of 35 U.S.C.).

<sup>3</sup> See *Smartflash LLC v. Apple Inc.*, 621 Fed. Appx. 995, 1006, 2015 U.S. App. LEXIS 13627, \*28 (Fed. Cir. 2015) (unpublished) (Newman, J., dissenting) (“It cannot be ignored that under the protocols of post-grant PTO review, claims are more easily invalidated by the PTO tribunal than in the district court.”).

<sup>4</sup> Rob Sterne & Gene Quinn, “PTAB Death Squads: Are All Commercially Viable Patents Invalid?,” IPWatchdog (March 24, 2014), available at <http://www.ipwatchdog.com/2014/03/24/ptab-death-squads-are-all-commercially-viable-patents-invalid/id=48642/>.

<sup>5</sup> “Trial Statistics: IPR, PGR, CBM,” p. 7 (Patent Trial and Appeal Board July 2018), available at [https://www.uspto.gov/sites/default/files/documents/trial\\_statistics\\_20180731.pdf](https://www.uspto.gov/sites/default/files/documents/trial_statistics_20180731.pdf).

<sup>6</sup> *Id.*

<sup>7</sup> Rob Sterne & Gene Quinn, “PTAB Death Squads: Are All Commercially Viable Patents Invalid?,” IPWatchdog (March 24, 2014), available at <http://www.ipwatchdog.com/2014/03/24/ptab-death-squads-are-all-commercially-viable-patents-invalid/id=48642/> (“The Board cancelled 95.2% of all claims for which trial was instituted, and cancelled 82.9% of all claims that were initially challenged by the petitioner.”).

<sup>8</sup> Compare *Microsoft v. i4i Ltd. P’ship*, 564 U.S. 91 (2011) (“We consider whether § 282 requires an invalidity defense to be proved by clear and convincing evidence. We hold that it does.”) with 35 U.S.C. § 316(e) (“In an inter partes

institution bar low at “a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.”<sup>9</sup> Once instituted, experience suggests that the panel who found the claims likely unpatentable were unlikely to reverse course after trial.<sup>10</sup>

Some of the Patent Office’s implementing regulations seemed to push the thumb further on the scale. The Office promulgated rules requiring the Board to give claim terms their “broadest reasonable interpretation” rather than the more searching claim construction methodology used by district courts.<sup>11</sup> Patent Owners also had to fight institution decisions with one hand tied behind their backs because the rules did not permit testimonial evidence in support of Patent Owner preliminary responses.<sup>12</sup> The rules also permitted the Board to institute a trial on only “some of the challenged claims and on ... some of the grounds of patentability,”<sup>13</sup> making trial more likely than if the Board was required to make an all or nothing decision.

The Board’s early procedural decisions—many of which were made precedential or at least informative—seemed to further tip the balance further in petitioners’ favor. As a starting point, the Board took an expansive view of its jurisdiction, rejecting numerous Patent Owner’s challenges including collateral estoppel,<sup>14</sup> assignor estoppel,<sup>15</sup> real party in interest,<sup>16</sup> and statutory time bars.<sup>17</sup> Some of its “representative” decisions also placed a heavy burden on the Patent Owner to

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review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.”); *see also Synopsis, Inc. v. Mentor Graphics Corp.*, 814 F.3d 1309, 1326 (Fed. Cir. 2016) (Newman, J., dissenting) (“A critical aspect of the AIA—the aspect credited with the large influx of petitions for post-grant proceedings—is the easier standard of patent invalidation that is accorded to these PTAB proceedings.”).

<sup>9</sup> 35 U.S.C. § 314(a).

<sup>10</sup> *See Ethicon Endo-Surgery, Inc. v. Covidien LP*, 812 F.3d 1023, 1038 (Fed. Cir. 2016) (Newman, J., dissenting) (The practice of having the same panel make the institution decision and the final written decision “has been criticized by practitioners, citing the ‘actual or perceived bias against the patent owner’ because the administrative patent judges are ‘put in the position of defending their prior decisions to institute the trial.’” (citing AIPLA, Comments on PTAB Trial Proceedings, at 20 (Oct. 16, 2014), available at [http://www.uspto.gov/ip/boards/bpai/aipla\\_20141016.pdf](http://www.uspto.gov/ip/boards/bpai/aipla_20141016.pdf))).

<sup>11</sup> *See* 37 C.F.R. §§ 42.100(b), 42.200(b), and 42.300(b) (“A claim in an unexpired patent that will not expire before a final written decision is issued shall be given its broadest reasonable construction in light of the specification of the patent in which it appears.”)

<sup>12</sup> Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,764 (Aug. 14, 2012) (“The preliminary response may present evidence other than new testimonial evidence to demonstrate that no review should be instituted. §§ 42.107(c) and 42.207(c).”).

<sup>13</sup> *See* 37 C.F.R. §§ 42.108(a).

<sup>14</sup> *See Interthinx, Inc. v. Corelogic Solutions, Inc.*, Case CBM2012-00007, 2014 Pat. App. LEXIS 744, \*10-11 (P.T.A.B. Jan. 30, 2014) (rejecting application of collateral estoppel because district court and PTAB use different evidentiary standards).

<sup>15</sup> *See Athena Automation Ltd. v. Husky Injection Molding Sys. Ltd.*, Case IPR2013-00290, Paper 18 at 13 (P.T.A.B. Oct. 25, 2013) (rejecting assignor estoppel as a defense in IPRs).

<sup>16</sup> *See Lumentum Holdings, Inc. v. Capella Photonics, Inc.*, Case IPR2015-00739, Paper 38 (P.T.A.B. Mar. 4, 2016) (section 312(a)(2) not jurisdictional).

<sup>17</sup> *See Oracle Corp. v. Click-to-Call Techs. LP*, Case IPR2013-00312, Paper 26 at 17 (P.T.A.B. Oct. 30, 2013) (service of a complaint followed by a dismissal without prejudice does not trigger the one year time bar under § 315(b)).

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