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THE SEDONA CONFERENCE

Commentary on Patent Litigation Best Practices: Parallel USPTO Proceedings Chapter (“Stage Two”)

A Project of The Sedona Conference
Working Group on
Patent Litigation Best Practices (WG10)

JULY 2017 PUBLIC COMMENT VERSION



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Preface

Welcome to the July 2017 Public Comment Version of The Sedona Conference *Commentary on Patent Litigation Best Practices: Parallel USPTO Proceedings Chapter (“Stage Two”)*, a project of The Sedona Conference Working Group on Patent Litigation Best Practices (WG10). This is one of a series of Working Group commentaries published by The Sedona Conference, a 501(c)(3) research and educational institute dedicated to the advanced study of law and policy in the areas of antitrust law, complex litigation, and intellectual property rights. The mission of The Sedona Conference is to move the law forward in a reasoned and just way.

WG10 was formed in late 2012 under the leadership of its now Chair Emeriti, the Honorable Paul R. Michel and Robert G. Sterne, to whom The Sedona Conference and the entire patent litigation community owe a great debt of gratitude. The mission of WG10 is “to develop best practices and recommendations for patent litigation case management in the post-[America Invents Act] environment.” The Working Group consists of around 200 active members representing all stakeholders in patent litigation.

This first stage of the Parallel USPTO Proceedings Chapter was directed to parallel U.S. Patent and Trademark Office (USPTO) proceedings from the perspective of district court litigation. It was first published as a “public comment version” in October 2014, and then in final/“post-public comment” form in October 2016, after being the subject of dialogue at numerous Working Group 10 Meetings from 2013 to 2016.

This July 2017 Public Comment Version of The Sedona Conference *Commentary on Patent Litigation Best Practices: Parallel USPTO Proceedings Chapter (“Stage Two”)* is the culmination of the efforts of a new WG10 drafting team that was formed in early 2015 to expand the discussion to address parallel USPTO proceedings issues from the perspective of USPTO/Patent Trial and Appeal Board (PTAB) litigation, and to develop best practices for collaboration between district court and USPTO/PTAB litigation in resolving patent disputes efficiently. The draft was the subject of dialogue at the WG10 Midyear Meeting in Miami, Florida, in May 2015; the 15th Annual Patent Litigation Conference in Reston, Virginia, in October 2015; the WG9 and WG10 Joint Midyear Meeting in Pasadena, California, in February 2016; the 16th Annual Patent Litigation Conference in Washington, D.C., in October 2016; and the WG9 and WG10 Joint Annual Meeting in Houston, Texas, in February 2017.

This Chapter represents the collective efforts of many individual contributors. On behalf of The Sedona Conference, I thank in particular Gary M. Hoffman, who has graciously and tirelessly served as the Editor-in-Chief for this and all Chapters for this *Commentary on Patent Litigation Best Practices*, and as the Chair of WG10. I also thank everyone else involved for their time and attention during the drafting and editing process, including: Donald R. Banowit, Michael Morin, Steven Auvil, Erik M. Drange, J. Derek McCorquindale, Scott A. McKeown, Teresa Stanek Rea, Michael T. Rosato, Jonathan Stroud, Eley O. Thompson, and Buddy Toliver. In addition, I thank volunteer Parker Tresemer for his continued assistance and contributions to this effort. I further thank WG10 Steering Committee Members Patrick M. Arenz and Henry Hadad for their detailed review and comments.

The Working Group was also privileged to have the benefit of candid comments by the Honorable Faith S. Hochberg (ret.), who is serving as the Judicial Advisor for this Parallel USPTO Proceedings Chapter. The statements in this Commentary are solely those of the non-judicial members of the Working Group; they do not represent any judicial endorsement of the recommended practices.

The continued drafting process for this Chapter has been supported by the Working Group 10 Steering Committee and Judicial Advisors. The Chapter will be regularly updated to account for future significant developments impacting this topic.

Please send comments to comments@sedonaconference.org or fax them to 602-258-2499. The Sedona Conference hopes and anticipates that the output of its Working Groups will evolve into authoritative statements of law, both as it is and as it should be.

Craig W. Weinlein
Executive Director
The Sedona Conference
July 2017

Foreword

This Sedona Conference Working Group 10 on Patent Litigation Best Practices (WG10) Chapter on Parallel USPTO Proceedings provides Principles and Best Practice recommendations for navigating the issues that arise from parallel post-grant challenges at the USPTO, including *inter partes* reviews, made available by the 2011 America Invents Act. It is not uncommon for a USPTO Patent Trial and Appeal Board (PTAB) proceeding to run concurrently with a district court litigation or a U.S. International Trade Commission Section 337 unfair trade practice proceeding involving the same patents. As such, there is the risk of conflicting outcomes between the parallel proceedings, especially in light of the different burdens of proof, the different standards for construing the claims, and the different scope of discovery that each forum applies.

“Stage One” of this Chapter’s proposals were developed primarily from the perspective of district court litigation, both for practitioners and the district courts, and published in final/“post-public comment” form in October 2016.

“Stage Two” expands the focus to include PTAB practitioners, PTAB judges, petitioners, and patent owners, and provides recommendations for improving proceedings before the PTAB and for collaborative resolution of patent disputes through the federal courts and the PTAB working in concert.

The editors express their appreciation to the members of the drafting team, the WG10 Steering Committee, and the WG10 Judicial Advisors for their invaluable input in bringing this considerable effort to true Sedona non-partisan consensus.

Gary M. Hoffman
Editor-in-Chief
Chair, Working Group 10 Steering Committee

Donald R. Banowit
Michael Morin
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I. “Stage Two” Introduction

The recommendations for best practices presented in “Stage One” of this WG10 Parallel USPTO Proceedings Chapter¹ were directed primarily toward parallel U.S. Patent and Trademark Office (USPTO) proceedings from the perspective of district court litigation. Its recommendations were not directed specifically toward proceedings before the USPTO/Patent Trial and Appeal Board (PTAB). Subsequently, a new WG10 drafting team was formed to draft the next stage (“Stage Two”) of this WG10 project to include recommendations directed toward improving proceedings before the PTAB and to develop recommendations to better integrate proceedings between the federal district courts and the PTAB.

The focus of this “Stage Two” document is on best practices for PTAB practitioners, PTAB judges, petitioners, and patent owners in resolving patent disputes efficiently. In particular, we have identified several issues where the current law and rules have led to some debate and disagreement among members of the PTAB community, with the goal of creating practical solutions and recommendations of immediate benefit to the bench and bar. These issues include:

- identifying and resolving “real party-in-interest” and “privy” issues before the PTAB and in the courts;
- understanding burdens of proof in PTAB proceedings;
- presenting evidence and protecting confidentiality in PTAB proceedings;
- procedures and mechanisms for settlement and termination of PTAB proceedings; and
- efficient handling of multiple and serial parallel USPTO proceedings.

This WG10 project is a work in progress, with the continuing goal of identifying best practices for parallel resolution of patent disputes in the courts and before the PTAB. As additional issues and recommendations are developed,² this Chapter will be expanded to include the latest best practice recommendations of the drafting team and of WG10.

¹ The Sedona Conference, *Commentary on Patent Litigation Best Practices: Parallel USPTO Proceedings Chapter (“Stage One”)* (Oct. 2016 Edition), available at <https://thesedonaconference.org/download-pub/4830>.

² For example, the Supreme Court recently granted *certiorari* to decide the constitutionality of *Inter Partes* Review (IPR) Proceedings in *Oil States Energy Services LLC v. Greene’s Energy Group LLC*, No. 16-712 (U.S. Jun. 12, 2017), and granted *certiorari* in *SAS Institute Inc. v. Lee*, No. 16-969 (U.S. May 15, 2017) to determine whether 35 U.S.C. § 318(a) requires the Board to issue a final written decision as to every claim challenged by the petitioner, or whether it allows that Board to issue a final written decision with respect to the patentability of only some of the patent claims challenged by the petitioner, as the Federal Circuit has held.

II. *Real Party-in-Interest and Privy*

Identifying real parties-in-interest is required in the new post-grant proceedings created under the Leahy-Smith America Invents Act (AIA) in 2011, by which the parties can challenge the validity of patents after issue (i.e., grant). In an *Inter Partes* Review (IPR) filing, the identity of the real parties-in-interest and those known to be in privity with a petitioner is essential to determining whether PTAB proceedings are available and whether they are likely to be instituted. For example, IPRs are unavailable where: (1) more than one year has passed since the petitioner, someone in privity with the petitioner, or a real party-in-interest, was served with a patent infringement complaint;³ or (2) the petitioner or a real party-in-interest filed a civil action challenging the validity of a claim of the patent before filing the petition for IPR.⁴ Similarly, Post-Grant Reviews (PGRs) are unavailable where the petitioner or a real party-in-interest filed a civil action challenging the validity of a claim of the patent before filing the petition for PGR.⁵ A petitioner may file for a Covered Business Method (CBM) only if the petitioner, the petitioner’s real party-in-interest, or the petitioner’s privity has been charged with infringement of the patent.⁶ Additionally, the petitioner or real party-in-interest must not have filed a civil action challenging the validity of the patent for which the CBM petition seeks review.⁷

Real party-in-interest and privity identification are also required when applying estoppels resulting from completed PTAB post-grant proceedings at the USPTO, in district court, and in the U.S. International Trade Commission (USITC). In an IPR or PGR that results in a final written decision, the petitioner and any real parties-in-interest, or privies of the petitioner, are estopped in other USPTO proceedings, district court litigation, and USITC proceedings from asserting any ground of unpatentability that the petitioner raised or reasonably could have raised during the PTAB proceeding.⁸ In a CBM resulting in a final written decision, the petitioner and any real parties-in-interest are estopped in district court litigation and USITC proceedings from asserting any ground of unpatentability that the petitioner raised during the CBM,⁹ and the petitioner and the real parties-in-interest and privies of the petitioner may not request or maintain a proceeding before the USPTO on any ground that the petitioner raised or reasonably could have raised during the CBM.¹⁰ These estoppels are applied on a claim-by-claim basis.

³ 35 U.S.C. § 315(b).

⁴ 35 U.S.C. § 315(a)(1).

⁵ 35 U.S.C. § 325(a)(1).

⁶ See Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18(a)(1)(B), 125 Stat. 284, 330 (2011) (“A person may not file a petition for [CBM] unless the person or the person’s real party in interest or privity has been sued for infringement of the patent or has been charged with infringement under that patent.”).

⁷ 35 U.S.C. § 18(a)(1).

⁸ 35 U.S.C. §§ 315(e)(2), 325(e)(2).

⁹ Leahy-Smith America Invents Act § 18(a)(1)(D).

¹⁰ 35 U.S.C. § 18(a)(1).

A. DEFINING REAL PARTY-IN-INTEREST AND PRIVY

Whether a party is a real party-in-interest or privity of a petitioner is a “highly fact-dependent question.”¹¹ The real party-in-interest analysis focuses on the relationship between the party and the PTAB proceeding, whereas privity considers the relationship between the party and the petitioner.¹² Many factors are relevant to the analysis.

1. Real Party-In-Interest

The Trial Practice Guide of the PTAB provides that “the ‘real party-in-interest’ may be the petitioner itself, and/or it may be the party or parties at whose behest the petition has been filed.”¹³

Typically, for an unnamed party, the inquiry is whether the party is, in effect, litigating through a proxy. In other words, if an unnamed party can influence a petitioner’s actions in a proceeding before the Board to the degree that would be expected from a formal co-petitioner, then that unnamed party should be considered a real party-in-interest to the proceeding.¹⁴

For example, “a party that funds and directs and controls an IPR or PGR petition or proceeding constitutes a ‘real party-in-interest.’”¹⁵ On the other hand, merely providing prior art,¹⁶ payment of counsel fees and minor participation by a vendor in litigation proceedings,¹⁷ having a mutual interest in the outcome of the post-grant proceeding,¹⁸ use of the same counsel,¹⁹ status as a co-defendant or

¹¹ Office Patent Trial Practice Guide, 77 Fed. Reg. at 48,759 (Aug. 14, 2012) (citing *Taylor v. Sturgell*, 553 U.S. 880 (2008); 18A CHARLES ALAN WRIGHT, ARTHUR R. MILLER & EDWARD H. COOPER, FEDERAL PRACTICE & PROCEDURE §§ 4449, 4451 (2d ed. 2011)).

¹² *Aruze Gaming Macau, Ltd. v. MGT Gaming, Inc.*, No. IPR2014-01288, Paper No. 13 at 13 (P.T.A.B. Feb. 20, 2015).

¹³ Office Patent Trial Practice Guide, 77 Fed. Reg. at 48,759.

¹⁴ *Aruze Gaming Macau*, No. IPR2014-01288, Paper No. 13 at 12.

¹⁵ Office Patent Trial Practice Guide, 77 Fed. Reg. at 48,760; *see also* *First Data Corp. v. Cardsoft, LLC*, No. IPR2014-00715, Paper No. 9 at 9 (P.T.A.B. Oct. 17, 2014) (finding unnamed indemnitor that funded and had an opportunity to control the filing of the petition to be real party-in-interest); *RPX Corp. v. VirnetX Inc.*, Nos. IPR2014-00171 et al., Paper 49 at 6–10 (P.T.A.B. June 5, 2014) (determining that the petitioner was acting as a proxy for its unnamed client and, as such, client was real party-in-interest).

¹⁶ *Sipnet EU S.R.O. v. Straight Path IP Group, Inc.*, No. IPR2013-00246, Paper No. 73 at 10 (P.T.A.B. May 23, 2016).

¹⁷ *Id.* at 11 (citing *Bros, Inc. v. W.E. Grace Mfg. Co.*, 261 F.2d 428, 430 (5th Cir. 1958); *Broadcom Corp. v. Telefonaktiebolaget LM Ericsson*, No. IPR2013-00601, Paper No. 23 at 7–8 (P.T.A.B. Jan. 24, 2014)).

¹⁸ *See, e.g.*, *Butamax Advanced Biofuels LLC v. Gevo, Inc.*, No. IPR2013-00215, Paper No. 10 at 4 (P.T.A.B. Sept. 30, 2013) (“[T]he mere fact that DuPont and Butamax may have a mutual interest in the Board’s review of the ’505 patent does not necessarily make DuPont a real party-in-interest.”); *Denso Corp. v. Beacon Navigation GmbH*, No. IPR2013-00026, Paper No. 34 at 11 (P.T.A.B. Mar. 14, 2014) (“The mere fact that parties are co-defendants or concurrent defendants in litigation does not make them real parties-in-interest.”); *Unified Patents Inc. v. Dragon Intellectual Prop., LLC*, No. IPR2014-01252, Paper No. 37 at 8–13 (P.T.A.B. Feb. 12, 2015) (finding that without evidence that the petitioner’s members suggested or compensated the petitioner for the filing of the IPR petition, those members are not real parties-in-interest).

¹⁹ *Commissariat A L’Energie Atomique Et Aux Energies Alternatives v. Silicon Genesis Corp.*, No. IPR2016-00833, Paper No. 8 at 7 (P.T.A.B. Sept. 28, 2016) (“SiGen fails to present any support as to why the use of overlapping counsel extends to Soitec’s potential control of this proceeding.”).

participation in a joint defense group,²⁰ or having a business or seller/vendor relationship²¹ is not sufficient to deem a nonparty a “real party-in-interest.”

In *RPX Corporation*, the Board determined that RPX was acting as a proxy for its client Apple Inc., and, as such, Apple was an unnamed real party-in-interest in seven IPR petitions filed by RPX.²² Citing to *inter partes* reexamination precedent in *In re Guan*,²³ the Board found that “[l]ike the unnamed real party-in-interest in *Guan*, Apple had at least suggested that RPX file challenges to the specific Virnetx Patents by compensating RPX to perform certain generic services that included filing IPR challenges to ‘patents of questionable quality.’”²⁴ The Board denied the RPX petitions as time-barred under 35 U.S.C. § 315(b), as Apple had been served with an infringement complaint more than one year before the filing of the petitions.²⁵ Prior to the filing of the RPX petitions, Apple had petitioned on its own for an IPR of the Virnetx patents, which were also denied as time-barred.²⁶

The Board later distinguished the RPX decision in *Unified Patents*, holding that without evidence that Unified Patents’ members suggested or compensated it for filing an IPR petition, those members are not real parties-in-interest in the petition.²⁷ In reaching its decision, the Board cited to the Office Trial Practice Guide which provides that “membership in a trade association does not make an entity automatically a real party-in-interest to a petition filed by the trade association.”²⁸

2. Privy

The Trial Practice Guide explains that “[t]he notion of ‘privity’ is more expansive, encompassing parties that do not necessarily need to be identified in the petition as a ‘real party-in-interest.’”²⁹ Though, the notion is still constrained by the Supreme Court’s caution “that there is a general rule against nonparty preclusion, subject only to limited exceptions.”³⁰ According to the legislative

²⁰ *Tradestation Group, Inc. v. Trading Technologies Int’l, Inc.*, No. CBM2015-00161, Paper No. 29 at 29 (P.T.A.B. Jan. 27, 2016) (“Status as a co-defendant of a joint defense group is insufficient to establish that CQG had control over the filing of the Petition in this proceeding.”).

²¹ *Sipnet*, No. IPR2013-00246, Paper No. 73 at 11 (“[E]vidence of the existence of a vendor-reseller relationship between [parties] does not demonstrate [unnamed party] exercised, or could have exercised, any control.”).

²² *RPX Corp. v. Virnetx Inc.*, Nos. IPR2014-00171, Paper No. 49 (P.T.A.B. Jun. 13, 2014).

²³ *In re Guan*, Reexamination Control No. 95/001,045 (Aug. 25, 2008) (decision vacating filing date).

²⁴ *RPX Corp.*, Nos. IPR2014-00171, Paper No. 49 at 7 (emphasis omitted).

²⁵ *Id.* at 3.

²⁶ *Id.*

²⁷ *Unified Patents Inc. v. Dragon Intellectual Prop., LLC*, No. IPR2014-01252, Paper No. 37 at 12–13 (P.T.A.B. Jan. 5, 2015) (“[E]ven if we accept Patent Owner’s allegations that Petitioner engages in no activity of practical significance other than filing IPR petitions with money received from its members, this does not demonstrate that any member paid, directed, or suggested to Petitioner to challenge the ’444 patent, specifically.”).

²⁸ *Id.* at 13.

²⁹ Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,759 (Aug. 14, 2012).

³⁰ *Atlanta Gas Light Company v. Bennett Regulator Guards, Inc.*, No. IPR2015-00826, Paper No. 31 at 17 (P.T.A.B. Aug. 19, 2016) (citing *Taylor v. Sturgell*, 553 U.S. 880, 892–93 (2008)).

history, privity focuses on relationships between parties that necessitate the application of collateral estoppel.³¹

The Board has indicated that it will rely on established federal case law in evaluating issues of privity and has cited the Supreme Court’s decision in *Taylor v. Sturgell*³² as providing a framework for analysis.³³ For example, in *Aruze Gaming*, the Board stated:

In the context of § 315(b), the goal of the preclusion is to prevent successive challenges to a patent by those who previously have had the opportunity to make such challenges in prior litigation. As such, the focus of our privity inquiry is on the relationship between the parties during the prior lawsuit. In other words, we ask whether the instant petitioner and the prior litigant’s relationship—as it relates to the lawsuit—is sufficiently close that it can be fairly said that the petitioner has a full and fair opportunity to litigate the validity of the patent in the lawsuit. In this sense, our privity inquiry will typically fall into *Taylor*’s fourth category of nonparty preclusion, which applies to situations in which the petitioner “has had the opportunity to present proofs and argument” such that it can be said to have “assumed control” over the action. *Id.* at 895. Our Practice Guide reflects this, noting that control is a “common consideration” in the privity inquiry. 77 Fed. Reg. at 48,759.³⁴

“Only if the nonparty [to the prior proceeding] can be said to have had a ‘full and fair opportunity to litigate’ can a nonparty be precluded as a privy.”³⁵ For example, while the existence of indemnification alone is insufficient to find privity,³⁶ where the indemnitor exercises or could have exercised control over the indemnitee’s participation in a proceeding, privity may be found.³⁷

Three IPR petitions filed by General Electric Company (GE) against TransData, Inc. were denied institution based on a finding that GE was in privity with its customer Oklahoma Gas & Electric Company (OG&E), a defendant in a parallel district court litigation.³⁸ Under an indemnification

³¹ “Privity is essentially a shorthand statement that collateral estoppel is to be applied in a given case The concept refers to a relationship between the party to be estopped and the unsuccessful party in the prior litigation which is sufficiently close so as to justify application of the doctrine of collateral estoppel.” 77 Fed. Reg. at 48,759 (quoting 154 CONG. REC. S9987 (daily ed. Sept. 27, 2008) (statement of Sen. Jon Kyl)).

³² *Taylor v. Sturgell*, 553 U.S. 880 (2008).

³³ *Id.*

³⁴ *Aruze Gaming Macau, Ltd. v. MGT Gaming, Inc.*, No. IPR2014-01288, Paper No. 13 at 14 (P.T.A.B. Feb. 20, 2015) (emphasis omitted).

³⁵ *Id.* at 13.

³⁶ *See, e.g.*, *Broadcom Corp. v. Telefonaktiebolaget LM Ericsson*, Nos. IPR2013-00601 et al., Paper No. 23 at 7 (P.T.A.B. Jan. 24, 2014) (“[W]hen a patent holder sues a dealer, seller, or distributor of an accused product, as is the case at hand, indemnity payments and minor participation in a trial are not sufficient to establish privity between the non-party manufacturer of the accused device and the defendant parties”); *Wavemarket Inc. v. LocationNet Sys. Ltd.*, No. IPR2014-00920, Paper No. 11 at 6–9 (P.T.A.B. Dec. 16, 2014) (finding that despite indemnification and joint defense agreements between the petitioner and defendants to a parallel litigation, there was insufficient evidence to demonstrate that the petitioner exercised control or could have exercised control over the parallel district court proceedings).

³⁷ *See, e.g.*, *Gen. Elec. Co. v. TransData, Inc.*, No. IPR2014-01380, Paper No. 34 at 12–13 (P.T.A.B. Apr. 15, 2015).

³⁸ *Id.*

agreement between GE and OG&E, GE had the opportunity to control the litigation arising from the service on OG&E of an infringement complaint asserting the challenged patent, thereby establishing privity between GE and OG&E with respect to the parallel litigation.³⁹ Since OG&E was served more than one year prior to the filing of the IPR petitions, the petitions were denied as time barred under 35 U.S.C. § 315(b).⁴⁰

B. IDENTIFYING REAL PARTIES-IN-INTEREST AND PRIVIES

An IPR, PGR, or CBM petition must, by statute and rule, identify all real parties-in-interest.⁴¹ The statute and rules do not require identification of privies in the petition, but the rules require a statement that the petitioner is not barred or estopped from challenging the patent claims on the grounds identified in the petition.⁴²

While the Board often engages in additional briefing and occasionally in additional discovery concerning real parties-in-interest prior to institution, the Board is generally ill-equipped as compared to the district court in resolving heavily fact-and-law-intensive inquiries involving third parties to the dispute. Identifying all real parties-in-interest and all known privies early in litigation can prevent gamesmanship and improper circumvention of the window to seek PTAB proceedings.⁴³

In addition, such information regarding real parties-in-interest and privies may be useful to the district court when later asked to apply estoppels arising from a final written decision in a IPR, PGR, or CBM proceeding. District court and USITC estoppels resulting from a final written decision in an IPR or PGR proceeding apply to the petitioner and the real party-in-interest and privy of the petitioner.⁴⁴ District court and USITC estoppels resulting from a final written decision in a CBM proceeding apply to the petitioner and the real party-in-interest of the petitioner.⁴⁵

The best evidence on the issues of real party-in-interest and privity, such as who funded and controlled the drafting and filing of the petition, may be easier to determine through more onerous district court discovery. To be useful, such discovery and any findings by the district court on the real party-in-interest and privity issues must be made before the PTAB is required to issue its decision on institution, and would preferably be before the deadline for the patent owner’s preliminary response.

Best Practice 1 – Where a district court action is stayed, parties involved in parallel proceedings should agree to mechanisms to preserve

³⁹ *Id.* at 7–11.

⁴⁰ *Id.* at 11–13.

⁴¹ 35 U.S.C. §§ 312(a)(2), 322(a)(2); 37 C.F.R. § 42.8(b)(1).

⁴² 37 C.F.R. § 42.104(a).

⁴³ *Cf. In re MCM Portfolio, LLC*, 554 F. App’x 944, 945 (Fed. Cir. 2014) (denying writ of mandamus *without prejudice* where MCM sought relief from institution on privity grounds).

⁴⁴ 35 U.S.C. §§ 315(e)(2), 325(e)(2).

⁴⁵ Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18(a)(1)(D), 125 Stat. 284, 330 (2011).

evidence relevant to the issues of real party-in-interest and privity and should voluntarily exchange such evidence when necessary to resolve issues of timing, standing, and estoppel.

Recognizing that final written decisions from the PTAB typically issue 16–20 months after a petition is filed, it may be advisable for parties involved in parallel proceedings where the district court action and associated discovery is stayed, to agree to mechanisms in the district court to preserve evidence relevant to the issues of real party-in-interest and privity, where such mechanisms are not already in place. It may also be advisable for the parties to voluntarily exchange such evidence when necessary to resolve issues of timing, standing, and estoppel. Such mechanisms may be particularly useful where it is evident that real party-in-interest and privity issues may arise due to the existence of joint defense groups, parent-subsidiary relationships, indemnification agreements (e.g., between manufacturer and customer), or successors-in-interest. Where such mechanisms have been agreed to, they are an indication of good faith that should be considered if a petitioner seeks to amend an identification of real party-in-interest.⁴⁶ District court judges should consider requiring such mechanisms as a condition of a stay of the district court proceeding.

Best Practice 2 – The more detail provided in the petition regarding real parties-in-interest and known privies, the more scrutiny should be applied to subsequent requests for additional discovery on these issues.

The majority of filers before the PTAB are likely good actors who would like to know exactly what is required of them and how best to avoid any controversy on the issues of real party-in-interest and privity. Anything the Board can do to increase certainty as to what is required of parties and how best to comply would eliminate uncertainty and breed confidence in the system. For instance, model language or a streamlined process prior to institution to resolve any perceived disputes on the issues of real party-in-interest and privity would be helpful.

Where there is potential for a real party-in-interest or privity issue to arise at the PTAB, petitioners should consider including with the petition, as voluntary discovery, additional evidence on these issues. If necessary, such evidence can be filed under seal. Voluntary discovery may be particularly useful to explain facts known to the petitioner regarding indemnification agreements, parent-subsidiary relationships, or parties accused of infringing the challenged patent who are not parties to the PTAB petition.

When a petitioner voluntarily provides additional discovery on real party-in-interest or privity issues, the Board should apply stricter scrutiny to subsequent requests for additional discovery, as compared to instances where the petitioner is unwilling to provide discovery or otherwise appears to be hiding the ball on real party-in-interest or privity issues.

⁴⁶ See *infra*, Best Practice 4 (“Where there is no evidence of bad faith or prejudice to a patent owner caused by the delay, a petitioner should be permitted to amend its real party-in-interest identification during the proceeding while maintaining the original filing date.”).

C. DEFECTIVE REAL PARTY-IN-INTEREST IDENTIFICATIONS

Best Practice 3 – Care should be taken to identify all real parties-in-interest in IPR, PGR, and CBM proceedings, or parties risk denial of the petition or abandonment of the proceeding.

The PTAB procedurally accepts the petitioner’s identification of real parties-in-interest at the time of filing of the petition, but if a patent owner provides sufficient evidence to rebut the identification, it is the petitioner’s burden to establish that it has complied with the statute.⁴⁷ The patent owner is also required to identify all real parties-in-interest within 21 days of service of the petition.⁴⁸ Failure of the patent owner to timely file such mandatory notices may constitute an abandonment of the proceeding, resulting in entry of adverse judgment against patent owner as to all challenged claims.⁴⁹

Challenges regarding the real party-in-interest identification may be raised at any time during a trial proceeding, though the Office recognizes it is important to resolve real party-in-interest issues as early as possible, preferably in the preliminary stages of a proceeding.⁵⁰ For a late challenge that reasonably could have been raised earlier in the proceeding, the Office may consider the impact of the delay, including whether it is unwarranted or prejudicial.⁵¹

Unless deemed a mere clerical error,⁵² a defective real party-in-interest identification by a petitioner can result in loss of filing date and may result in denial of the petition if not timely corrected.⁵³ Ordinarily, if a petition fails to identify all real parties-in-interest, the Board will give the petitioner one month from the date of the decision to correct the deficiency and list the correct real parties-in-interest.⁵⁴ Once complete, a filing date will be provided.⁵⁵

When the challenged patent is involved in concurrent infringement litigation, it may be difficult if not impossible to correct a defective real party-in-interest identification. Curing the omission of a third-party from the real party-in-interest identification would be futile after the one-year deadline for filing an IPR has passed. Even if corrected, the earliest filing date that could be accorded to the petition would not fall within the one-year period specified by 35 U.S.C. § 315(b). This can cause

⁴⁷ *Zerto, Inc. v. EMC Corp.*, No. IPR2014–01254, Paper No. 35 at 6–7 (P.T.A.B. Mar. 3, 2015).

⁴⁸ 37 C.F.R. § 42.8(a)(2).

⁴⁹ 37 C.F.R. § 42.73(b)(4).

⁵⁰ *See* Proposed Rule Amendments, 80 Fed. Reg. at 50,729 (Aug. 20, 2015); *see also*, *Corning Optical Comm’n’s RF, LLC v. PPC Broadband, Inc.*, Nos. IPR2014–00440 at al., Paper No. 68 at 4 (P.T.A.B. Aug. 18, 2015) (“Because the Petitions fail to identify all [real parties-in-interest] as required by 35 U.S.C. § 312(a)(2), we grant Patent Owner’s Motions to Dismiss (Paper 43, “Motion”), vacate our Decisions to Institute (Paper 10), and terminate the reviews.”).

⁵¹ Proposed Rule Amendments, 80 Fed. Reg. at 50,729.

⁵² *See e.g.*, *Coleman Cable, LLC v. Richmond*, No. IPR2014–00935, Paper No. 12 at 2, 5 (P.T.A.B. Aug. 28, 2014).

⁵³ *See ZOLL Lifecor Corp. v. Philips Elecs. N. Am. Corp.*, No. IPR2013–00609, Paper No. 15 at 16–17 (P.T.A.B. Mar. 20, 2014); *see also* 37 C.F.R. § 42.106(a) (discussing requirements for a complete petition); Proposed Rule Amendments, 80 Fed. Reg. at 50,730 (“The Office is unable, however, to allow for the correction of any other such errors without changing the filing date because of the statutory requirement.”).

⁵⁴ *See* 37 C.F.R. § 42.106(b); *ZOLL Lifecor*, No. IPR2013–00609, Paper No. 15 at 16.

⁵⁵ *ZOLL Lifecor*, No. IPR2013–00609, Paper No. 15 at 16–17.

problems for petitions filed close to the bar date.⁵⁶ In addition, avoidable delays caused by an incomplete petition filing may be found to unduly prejudice the patent owner and weigh against the granting of a stay of a parallel litigation. For at least these reasons, care should be taken to identify all real parties-in-interest and it is advisable to file an IPR petition early within the one-year window, to allow time to cure defects.

For example, in *First Data*,⁵⁷ the Board found that unnamed party VeriFone “has controlled, and/or has had an opportunity to control, the events leading up to the filing of the Petition,” and, as such, was a real party-in-interest in the petition, even though the petitioner and VeriFone had agreed, two days prior to the filing of the petition, that petitioner would have sole and exclusive control over the IPR proceeding.⁵⁸ The Board reasoned that “[b]y then, presumably, most of the work had been done by both Petitioner and VeriFone in preparation of the 51-page Petition, assemblance of prior art, and gathering of witnesses and their declarations, and Petitioner does not indicate otherwise.”⁵⁹ The Board denied institution of the IPR based on the defective real party-in-interest identification and failure to meet the one-year filing deadline, noting that “even if corrected, the earliest filing date that could be accorded to the Petition that identifies VeriFone as a real party-in-interest would not fall within the one-year period specified by 35 U.S.C. § 315(b).”⁶⁰

Best Practice 4 – Where there is no evidence of bad faith or prejudice to a patent owner caused by the delay, a petitioner should be permitted to amend its real party-in-interest identification during the proceeding while maintaining the original filing date.

In *Lumentum*, the board explained that § 312(a) sets forth requirements that must be satisfied for the Board to give consideration to a petition but that “a lapse in compliance with those requirements does not deprive the Board of jurisdiction over the proceeding, or preclude the Board from permitting such lapse to be rectified.”⁶¹ As such, if during “the course of a trial the identity of a real party in interest [changes] 37 C.F.R. § 42.8(a)(3) allows a party 21 days to provide the Board notice of a change in its identification of the real party in interest, without the loss of ‘jurisdiction’ over the proceeding.”⁶²

In an earlier decision, cited in *Lumentum*,⁶³ the Board found that:

Absent any indication of an attempt to circumvent estoppel rules, a petitioner’s bad faith, or prejudice to a patent owner caused by the delay, permitting a petitioner to amend challenged [real party-in-interest] disclosures while maintaining the original

⁵⁶ *Id.* (denying institution where a real party-in-interest was not identified in the petition).

⁵⁷ *First Data Corporation v. Cardsoft, LLC*, No. IPR2014-00715, Paper No. 9 (P.T.A.B. Oct. 17, 2014).

⁵⁸ *Id.* at 7–8.

⁵⁹ *Id.* at 9.

⁶⁰ *Id.* at 10.

⁶¹ *Lumentum Holdings, Inc., v. Capella Photonics, Inc.*, No. IPR2015-00739, Paper No. 38 at 5 (P.T.A.B. Mar. 4, 2016) (precedential).

⁶² *Id.*

⁶³ *Id.* at 4–6.

filing date promotes the core functions described in the Trial Practice Guide, while promoting also “the just, speedy, and inexpensive resolution of our proceedings.” 37 C.F.R. § 42.1.⁶⁴

Based on these decisions, the Board has exercised its discretion under 37 C.F.R. § 42.5(b) and (c)(3) to permit a petitioner to amend its real party-in-interest identification during the proceeding while maintaining the original filing date.⁶⁵

⁶⁴ Elekta, Inc. v. Varian Medical Systems, Inc., No. IPR2015-01401, Paper 19 at 9 (P.T.A.B. Dec. 31, 2015).

⁶⁵ See, e.g., Aerospace Communications Holdings Co., Ltd. v. The Armor All/Step Products Company, No. IPR2016-00441, Paper 12 at 11 (P.T.A.B. Jun. 28, 2016).

III. Burden of Proof

The burden of proof is an evidentiary burden under which a moving party must produce evidence demonstrating that it is entitled to its requested relief.⁶⁶ Published decisions by the PTAB and Federal Circuit to date have made it clear that there exists both a burden of persuasion and a distinct burden of production in PTAB proceedings.⁶⁷ The burden of persuasion is the ultimate burden assigned to a party who must prove something to a specified degree of certainty.⁶⁸ The burden of production may entail producing additional evidence and presenting persuasive argument based on new evidence or evidence already of record.⁶⁹

A. BURDEN OF PERSUASION

District courts observe a rebuttable presumption that an issued patent is valid. Each claim of a patent will be presumed valid independently of the validity of other claims, and dependent claims will be presumed valid even if they depend upon an invalid claim.⁷⁰ In district court litigation, the burden of persuasion is on the accused infringer to prove invalidity of the asserted patent by clear and convincing evidence. To prove invalidity by clear and convincing evidence, a defendant must prove that it is substantially more likely than not that the asserted patent is invalid.

By contrast, the PTAB does not presume an issued patent is valid. In a PTAB proceeding, the burden of persuasion is on the petitioner to establish unpatentability of the challenged patent by a preponderance of the evidence.⁷¹ To prove unpatentability by a preponderance of the evidence, the petitioner must prove that the claims are more likely than not unpatentable. Thus, a petitioner in a PTAB proceeding bears a lower burden of proof than in district court litigation. The petitioner’s burden of persuasion regarding unpatentability never shifts to the patent owner.⁷²

⁶⁶ See 37 C.F.R. § 42.20(c) (“The moving party has the burden of proof to establish that it is entitled to the requested relief.”).

⁶⁷ See, e.g., *In re Magnum Oil Tools Int’l, Ltd.*, 829 F.3d 1364, 1375 (Fed. Cir. 2016).

⁶⁸ *Dynamic Drinkware, LLC v. Nat’l Graphics, Inc.*, 800 F.3d 1375, 1378 (Fed. Cir. 2015).

⁶⁹ *Id.* at 1379.

⁷⁰ 35 U.S.C. § 282.

⁷¹ *Id.* at § 316(e); 37 C.F.R. §§ 42.20(c), 42.1(d); see also *Nike, Inc. v. Adidas AG*, 812 F.3d 1326, 1334 (Fed. Cir. 2016) (“[T]he burden of proof is on the petitioner to prove unpatentable those issued claims that were actually challenged in the petition for review and for which the Board instituted review.”); *Blue Calypso LLC v. Groupon, Inc.*, 815 F.3d 1331 (Fed. Cir. 2016) (holding that the petitioner bears the burden of establishing that an asserted reference is a prior art printed publication).

⁷² *Dynamic Drinkware*, 800 F.3d at 1378; *In re Cyclobenzaprine Hydrochloride Extended-Release Capsule Patent Litig.*, 676 F.3d 1063, 1075 (Fed. Cir. 2012) (reversing district court’s determination of obviousness because “the court imposed a burden-shifting framework in a context in which none exists”); *In re Magnum Oil Tools*, 829 F.3d at 1376 (“Where, as here, the only question presented is whether . . . a claim [is] or claims [are] obvious, no burden shifts from the patent challenger to the patentee. This is especially true where the only issues to be considered are what the prior art discloses, whether there would have been a motivation to combine the prior art, and whether that combination would render the patented claims obvious. We thus disagree with the PTO’s position that the burden of production shifts to the patentee upon the Board’s conclusion in an institution decision that ‘there is a reasonable likelihood that the petitioner would prevail.’”).

B. BURDEN OF PRODUCTION

Unlike the burden of persuasion, the burden of production in PTAB proceedings may shift between the petitioner and the patent owner depending on the specific relief requested.⁷³ For example, in the context of establishing a priority date, the burden of production can shift from the petitioner to the patent owner.⁷⁴ The petitioner has the initial burden of producing evidence to support a conclusion of unpatentability.⁷⁵ The burden then shifts to the patent owner to produce evidence either that the prior art does not render challenged claims unpatentable or that the asserted art does not pre-date the filing date of the patent in question.⁷⁶ In such a case, burden shifting is warranted because the patentee affirmatively seeks to establish a proposition not relied on by the petitioner and not a necessary predicate for the unpatentability of the asserted claim—effectively an affirmative defense.⁷⁷

C. POST-FILING INTRODUCTION OF NEW GROUNDS

Each of the AIA post-grant proceedings is highly expedited giving each party essentially a single opportunity to present its case. A petitioner makes its unpatentability case in its petition materials.⁷⁸ If review is instituted, the trial stage is largely dedicated to exploring the merits of the petitioner’s unpatentability case as stated in the petition, and the patent owner’s substantive rebuttal to that case.⁷⁹ Besides limited discovery, a petitioner during the trial stage of an instituted proceeding is typically limited to the filing of a reply brief in response to the patent owner’s rebuttal case.⁸⁰

The Board’s rules and practice guide underscore the limited nature of this petitioner reply:

While replies can help crystalize issues for decision, a reply that raises a new issue or belatedly presents evidence will not be considered and may be returned. The Board will not attempt to sort proper from improper portions of the reply.⁸¹

The Board’s procedural rules ensure that each party has notice of the factual and legal matters at issue and has an opportunity to respond with evidence and argument—as is required for agency

⁷³ See, e.g., *In re Magnum Oil Tools*, 829 F.3d at 1375–76 (citing *Dynamic Drinkware*, 800 F.3d at 1379).

⁷⁴ *Dynamic Drinkware*, 800 F.3d at 1379.

⁷⁵ *Id.* at 1380.

⁷⁶ *Id.*

⁷⁷ *Magnum Oil Tools*, 829 F.3d at 1376.

⁷⁸ 35 U.S.C. § 312 (“Requirements of Petition.—A petition filed under section 311 may be considered only if—(3) the petition identifies, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim . . .”). See also Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,763 (Aug. 14, 2012) (“Proceedings begin with the filing of a petition. The petition lays out the petitioner’s grounds for review and supporting evidence, on a claim-by-claim basis, for instituting the requested proceeding.”).

⁷⁹ Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,766 (“The patent owner response is filed as an opposition to the petition The response should identify all the involved claims that are believed to be patentable and state the basis for that belief.”).

⁸⁰ *Id.* at 48,767 (“A reply may only respond to arguments raised in the corresponding opposition.”).

⁸¹ *Id.*

adjudications under the Administrative Procedure Act (APA).⁸² What constitutes adequate notice and opportunity to respond is well-established in the context of patent examination and reexamination.⁸³ The procedural differences between examination and AIA proceedings has forced the Federal Circuit and the Board to consider how to treat argument and evidence that arise late in the procedure—such as, in the petitioner’s reply brief or at oral argument.

Some of the key points practitioners should consider from the Federal Circuit’s AIA proceedings “new grounds” cases are summarized below.

1. Board consideration of new argument and evidence in reply involves an exercise of discretion.

In *Intelligent Bio-Systems*, the Board refused to consider a petitioner reply brief and accompanying expert declaration from Intelligent Bio-Systems because, among other reasons, it contained new argument and evidence in violation of 37 C.F.R. § 42.23.⁸⁴ The Federal Circuit affirmed the Board’s decision saying that “[o]nce the Board identifies new issues presented for the first time in reply, neither this court nor the Board must parse the reply brief to determine which, if any, parts of that brief are responsive and which are improper.”⁸⁵

An unpatentability theory presented after the patent owner’s response cannot form the basis of the Board’s final written decision, unless the patent owner is given an opportunity to respond. In *Dell*, the petitioner, Dell, presented evolving theories of unpatentability during the trial about which structure of a prior art embodiment met the claim limitation.⁸⁶ Dell pointed to one structure in the petition, another in the reply brief, and yet another at oral argument.⁸⁷ The Board relied on the structure presented for the first time at oral argument in finding the claim anticipated.⁸⁸ The Federal Circuit vacated and remanded the affected part of the Board decision, finding Acceleron was not afforded an opportunity to respond to the new unpatentability theory and, as such, its rights under the APA were violated.⁸⁹ On remand the Board chose to disregard both the new reply brief argument and oral hearing argument, rather than allow Acceleron to submit rebuttal evidence. The Board ultimately found the claims patentable. The *Dell* remand highlights the impact of *Intelligent Bio-Systems* on current Board practices.⁹⁰

⁸² 5 U.S.C. § 554.

⁸³ See, e.g., *In re Leithem*, 661 F.3d 1316, 1319 (Fed. Cir. 2011); *In re Kumar*, 418 F.3d 1361, 1368 (Fed. Cir. 2005); *In re Biedermann*, 733 F.3d 329, 337 (Fed. Cir. 2013); *Rambus Inc. v. Rea*, 731 F.3d 1248, 1255 (Fed. Cir. 2013); *In re Kronig*, 539 F.2d 1300, 1302 (C.C.P.A. 1976).

⁸⁴ *Intelligent Bio-Systems, Inc. v. Illumina, Inc.*, 821 F. 3d 1359, 1366 (Fed. Cir. 2016).

⁸⁵ *Id.* at 1369.

⁸⁶ *Dell, Inc. v. Acceleron LLC*, 818 F.3d 1293 (Fed. Cir. 2016).

⁸⁷ *Id.* at 1297.

⁸⁸ *Id.*

⁸⁹ *Id.* at 1301–02.

⁹⁰ *Dell, Inc. v. Acceleron LLC*, No. IPR2013-00440, Paper. No. 49 (P.T.A.B. Aug. 22, 2016).

2. An opportunity to respond to new evidence submitted in reply is not absolute.

New evidence is not *per se* improper simply because it is new or provided in reply. In *Genzyme*, the petitioner’s obviousness ground relied on references that contained only *in vitro* experimental data, which the institution decision found predictive for the therapeutic protein claimed in the patents.⁹¹ The patent owner, Genzyme, argued in response that *in vitro* data were not predictive of success in treating humans.⁹² Biomarin, in reply, cited prior art that disclosed *in vivo* experiments performed on the same therapeutic protein.⁹³ The Board found the claims obvious and cited to the *in vivo* prior art in support for its findings as to the state of the art.⁹⁴ The Federal Circuit found that Genzyme’s rights under the APA were not violated because the petitions made reference to the *in vivo* prior art and therefore Genzyme was on notice that this art might be cited by the Board in the final written decision.⁹⁵ Biomarin’s argument in reply also did not materially depart from the unpatentability theory presented in the petition or adopted in the institution decision.⁹⁶ The Federal Circuit reached a similar conclusion in *Belden*.⁹⁷

3. Procedural rights under the APA apply to petitioners.

In *SAS Institute*, the Board construed a claim term in the final written decision in a manner that varied significantly from how it was construed in the institution decision.⁹⁸ The Federal Circuit agreed with the ultimate construction, but remanded to the Board for further proceedings because the petitioner did not have notice of the changed construction and therefore was not in a position to present evidence and argument in response as provided by the APA.⁹⁹

These cases highlight the fact-specific nature of whether evidence submitted in reply is allowable. The Federal Circuit has signaled that the Board may simply disregard new argument presented in reply, as provided under the rules, and that decision will be reviewed with deference. Disregarding the evidence is the most efficient option for the Board, especially given the Federal Circuit’s recent attention to procedural rights under the APA.

Best Practice 5 – The petitioner should ensure that all arguments and evidence necessary for proving unpatentability are in the petition. If a deficiency in the petition becomes apparent early in the

⁹¹ *Genzyme Therapeutic Products, LP v. Biomarin Pharmaceutical, Inc.*, 825 F.3d 1360, 1364 (Fed. Cir. 2016).

⁹² *Id.*

⁹³ *Id.* at 1364–65.

⁹⁴ *Id.* at 1365.

⁹⁵ *Id.* at 1367.

⁹⁶ *Id.*

⁹⁷ *Belden, Inc. v. Berk-Tek LLC*, 805 F.3d 1064 (Fed. Cir. 2015).

⁹⁸ *SAS Institute, Inc. v. ComplementSoft, LLC*, 825 F.3d 1341 (Fed. Cir. 2016), No. 16-969 (U.S. May 15, 2017) (*certiorari* granted on other grounds).

⁹⁹ *Id.* at 1351–52.

proceedings, the petitioner should consider filing a motion to submit supplemental information, where appropriate.

Best Practice 6 – Patent owners should bring new arguments in reply or at oral argument to the Board’s attention and specifically request the appropriate relief, or risk a finding of waiver of the issue.

The petitioner should ensure that all arguments and evidence necessary for proving unpatentability are in the petition. If a deficiency in the petition becomes apparent early in the proceedings—within one month of institution—the petitioner should consider filing a motion to submit supplemental information, where appropriate.¹⁰⁰ Waiting until reply to submit new argument or evidence necessary to the *prima facie* case increases the risk that the Board will disregard the reply.

Patent owners should bring new arguments in reply or at oral argument to the Board’s attention and specifically request the appropriate relief (e.g., motion to strike, request authorization to file a surreply). Failure to flag new arguments to the Board may result in waiver of the issue.

D. THE “SUBSTANTIAL EVIDENCE” STANDARD OF REVIEW FOR PTAB FACT-FINDING ON APPEAL

The Federal Circuit reviews decisions of the Board under the APA.¹⁰¹ Under the APA standard, courts on appeal must “hold unlawful and set aside agency action, findings, and conclusions found to be . . . arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law,” “without observance of procedure required by law,” or “unsupported by substantial evidence.”¹⁰² Thus, an Article III court reviews an agency’s reasoning to determine if it is “arbitrary” or “capricious,” or, if bound up with a record-based factual conclusion, to determine whether it is supported by “substantial evidence.”¹⁰³ In the well-known articulation of the “substantial evidence” standard for review of fact-finding on appeal, the Supreme Court stated that “[s]ubstantial evidence . . . means such relevant evidence as a reasonable mind might accept as adequate to support a conclusion.”¹⁰⁴

Best Practice 7 – The parties should provide the Board, and the Board should support the factual underpinnings of its final written decision, with evidence sufficient to support a “substantial evidence” review on appeal.

The Federal Circuit has performed this more deferential “substantial evidence” review of Board decisions for nearly two decades, before which it used the stricter “clearly erroneous” standard

¹⁰⁰ 37 C.F.R. § 42.123.

¹⁰¹ *Rovalma v. Bohler-Edelstahl GmbH & Co. KG*, 856 F.3d 1019 (Fed. Cir. 2017).

¹⁰² 5 U.S.C. § 706.

¹⁰³ *SEC v. Chenery Corp.*, 318 U.S. 80, 89–93, 87 L. Ed. 626, 63 S. Ct. 454 (1943).

¹⁰⁴ *Consolidated Edison Co. of N.Y. v. NLRB*, 305 U.S. 197, 229 (1938); *Dickinson v. Zurko*, 527 U.S. 150, 162 (1999); *see also In re AT&T Intellectual Prop. II, L.P.*, 856 F.3d 991 (Fed. Cir. 2017) (“Substantial evidence is more than a mere scintilla; it is evidence that a ‘reasonable mind might accept as adequate to support a conclusion.’”); *Arendi S.A.R.L. v. Apple Inc.*, 832 F.3d 1355 (Fed. Cir. 2016) (“Substantial evidence is something less than the weight of the evidence but more than a mere scintilla of evidence.”).

testing whether the reviewing judge had a “definite and firm conviction” that an error had been committed by the Board.¹⁰⁵ The Federal Circuit has repeatedly confirmed since passage of the AIA that it reviews the Board’s decisions in post-grant proceedings using the more deferential APA standard.¹⁰⁶ Where a substantial evidence challenge succeeds at the Federal Circuit, a remand to the Board for further fact-finding and consideration is usually warranted.¹⁰⁷

In a dissenting opinion in an early AIA appeal, one Federal Circuit judge stated that “it is incorrect for this court, as the only reviewing tribunal, to review the PTAB decision under the highly deferential ‘substantial evidence’ standard The substantial evidence standard determines whether the decision could reasonably have been made, not whether it was correctly made.”¹⁰⁸ The judge reasoned that resort to such a deferential factual review standard on appeal “is at odds with the benefits that Congress intended” in passing the AIA, i.e., increase patent quality and restore “an effective and balanced system of patents, whereby valid patents may reliably be confirmed and invalid patents efficiently invalidated.”¹⁰⁹ To achieve this legislative mandate of “correctness, uniformity, finality, and expedition,”¹¹⁰ the judge argued that the highly deferential substantial evidence standard ought not govern review of Board decisions under the AIA.¹¹¹ Based on legislative balance to be achieved by the AIA, the judge proposed closer appellate scrutiny than afforded by the substantial evidence review standard.¹¹² Notwithstanding this early dissent and explication, the Federal Circuit has continued to review AIA post-grant decisions under the substantial evidence standard.

¹⁰⁵ See *Zurko*, 527 U.S. at 161–62 (holding that the Federal Circuit must use the framework set forth in § 706 when reviewing USPTO findings of fact).

¹⁰⁶ See, e.g., *Icon Health & Fitness, Inc. v. Strava, Inc.*, 849 F.3d 1034, 1044 (Fed. Cir. 2017); *Blue Calypso, LLC v. Groupon, Inc.*, 815 F.3d 1331, 1337 (Fed. Cir. 2016) (“We review the Board’s conclusions of law de novo and its findings of fact for substantial evidence.”); *Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292, 1297 (Fed. Cir. 2015) (“[W]e review the Board’s ultimate claim constructions de novo and its underlying factual determinations involving extrinsic evidence for substantial evidence.”); *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1280 (Fed. Cir. 2015) (“We review underlying factual determinations concerning extrinsic evidence for substantial evidence and the ultimate construction of the claim de novo.”).

¹⁰⁷ *Ariosa Diagnostics*, 805 F.3d at 1364–67 (“We must not ourselves make factual and discretionary determinations that are for the agency to make.”) (citing *In re Lee*, 277 F.3d 1338, 1342 (Fed. Cir. 2002); *ICC v. Bhd. of Locomotive Eng’rs*, 482 U.S. 270, 283, 107 S. Ct. 2360, 96 L. Ed. 2d 222 (1987); *SEC v. Chenery Corp.*, 332 U.S. 194, 196–97, 67 S. Ct. 1575, 91 L. Ed. 1995 (1947)).

¹⁰⁸ *Merck & Cie v. Gnosis S.P.A.*, 808 F.3d 829, 840 (Fed. Cir. 2015) (Newman, J. dissenting).

¹⁰⁹ *Id.* at 839, 845 (“The America Invents Act is a remedy for the present regime of uncertainty and unreliability of patents.”).

¹¹⁰ *Id.* at 840.

¹¹¹ *Id.* at 842–43.

¹¹² *Id.* (reasoning that Congress would have made explicit final reviews on “something less than the weight of the evidence” had it desired the deferential review).

E. RESOLUTION OF FACTUAL DISPUTES AGAINST THE PATENT OWNER AT THE PETITION STAGE

The AIA established several new post-grant trial proceedings to be conducted before the PTAB, including IPRs, PGRs, and CBMs.¹¹³ The purpose of the AIA was “to establish a more efficient and stream-lined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.”¹¹⁴ Thus, the AIA was crafted to ensure that the newly enacted adjudicative proceedings before the PTAB be conducted in a timely manner.¹¹⁵

In fact, the AIA required that the Director of the USPTO prescribe regulations “requiring that the final determination in an *inter partes* review be issued not later than 1 year after the date on which the Director notices the institution of review under this chapter.”¹¹⁶ Accordingly, in implementing its rules governing these post-grant proceedings, the USPTO acknowledged that the rules should “be construed to secure the just, speedy, and inexpensive resolution of every proceeding.”¹¹⁷ Thus, when the USPTO determined how pretrial and posttrial submissions would occur in post-grant proceedings, timing was taken into serious consideration.

1. Before, only the petitioner could include testimonial evidence with its pretrial submissions.

The USPTO’s response to comments regarding pretrial conduct in post-grant proceedings, including which parties would be allowed to submit new testimonial evidence prior to institution, make clear how important timing is to these proceedings. For example, in response to concerns that allowing for testimonial evidence in response to the petition at the preliminary response stage would delay the process, the USPTO noted that the AIA did not explicitly provide for the submission of testimonial evidence with the patent owner preliminary response and that, because cross-examination would be provided in such situations, the trial process would be delayed.¹¹⁸ Accordingly, in setting forth the practice guidelines governing what evidence could be submitted with the patent owner preliminary responses, the USPTO provided that “the preliminary response may present evidence other than new testimonial evidence to demonstrate that no review should be instituted.”¹¹⁹ Thus, at the outset of post-grant proceedings, only the petitioner was able to include testimonial evidence with its pretrial submissions.

From the advent of post-grant proceedings under the AIA, however, the USPTO has also made clear that it was committed to revising the rules and practice guide once the proceedings have been

¹¹³ Leahy-Smith America Invents Act, Pub. L. No. 112-29 §§ 3, 6, 18, 125 Stat. 284, 285, 299, 329 (2011).

¹¹⁴ Changes to Implement Inter Partes Review Proceedings, 77 Fed. Reg. 7041 (Feb. 10, 2012).

¹¹⁵ 157 CONG. REC. S1376 (daily ed. March 8, 2011) (statement of Sen. Jon Kyl).

¹¹⁶ 35 U.S.C. § 316(a)(11).

¹¹⁷ 37 C.F.R. § 42.1(b).

¹¹⁸ Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, Final Rule, 77 Fed. Reg. 48,680, 48,701 (Aug. 14, 2012) (USPTO’s Response to Comment 50).

¹¹⁹ Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,764 (Aug. 14, 2012).

operating for some time and both the PTAB and the public had gained experience with them.¹²⁰ For example, in early 2014 the USPTO conducted a nationwide listening tour to hear about experiences with the AIA post-grant proceedings. Then, in furtherance of this effort, in June of 2014 the USPTO requested public input on the AIA administrative trial proceeding rules and trial practice guide.¹²¹ In response to the comments the USPTO received, the USPTO issued a first rule amendment package on May 19, 2015.¹²² This amendment package was limited in scope, focusing on generally ministerial changes.¹²³

Then, on August 20, 2015, the USPTO issued another proposed rule change package dealing with the claim construction standard for AIA trials, new testimonial evidence submitted with a patent owner’s preliminary response, Rule 11-type certification, and word count requirements for major briefs.¹²⁴ The USPTO requested comments on these issues and asked that they be received on or before October 19, 2015.¹²⁵ And, again, the USPTO made clear that it “anticipates that it will continue to refine the rules governing AIA trials to continue to ensure fairness and efficiency while meeting the congressional mandate.”¹²⁶

2. By rule amendment, patent owners may now include testimonial evidence with their pretrial preliminary response.

On April 1, 2016, the USPTO issued its final amendments, which went into effect on May 2, 2016, to the existing rules relating to the USPTO’s trial practice for post-grant proceedings.¹²⁷ As proposed in August, these Amendments allow patent owners to include relevant testimonial evidence with their preliminary response to a petition, implement a Rule 11-type certification for papers filed in a proceeding before the PTAB, replace the previous page-limit requirements with word-count limits for major briefings, and clarify the claim construction standard the PTAB will use when claims will expire during a proceeding. This Chapter will primarily address the first change—allowing patent owners to file relevant testimonial evidence with their preliminary response to a petition.

In its Amendments, the USPTO revised 37 C.F.R. § 42.108(c), to read as follows:

Sufficient grounds. *Inter partes* review shall not be instituted for a ground of unpatentability unless the Board decides that the petition supporting the ground would demonstrate that there is a reasonable likelihood that at least one of the claims challenged in the petition is unpatentable. The Board’s decision will take into account

¹²⁰ Request for Comments on Trial Proceedings Under the America Invents Act Before the Patent Trial and Appeal Board, 79 Fed. Reg. 36,474, 36,475 (Jun. 27, 2014).

¹²¹ *Id.*

¹²² Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, 80 Fed. Reg. 28,561 (May 19, 2015).

¹²³ *Id.*

¹²⁴ Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, 80 Fed. Reg. 50,720 (Aug. 20, 2015).

¹²⁵ *Id.*

¹²⁶ *Id.*

¹²⁷ See Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, 81 Fed. Reg. 18,750 (Apr. 1, 2016) (amending 37 C.F.R. § 42) (“Amendments”).

a patent owner preliminary response where such a response is filed, *including any testimonial evidence*, but a genuine issue of material fact created by such testimonial evidence will be viewed in the light most favorable to the petitioner solely for purposes of deciding whether to institute an *inter partes* review. A petitioner may seek leave to file a reply to the preliminary response in accordance with §§ 42.23 and 42.24(c). Any such request must make a showing of good cause.

(emphasis added).

This rule change was implemented to address complaints from patentees that they were disadvantaged by the previous rules, which precluded testimonial evidence from being filed with the preliminary response to the petition.¹²⁸ Specifically, patent owners were concerned that the playing field was skewed in favor of the petitioner, who was allowed to—and often did—submit declaration evidence, because the patent owner was not allowed to respond with similar evidence. Additionally, many commenters believed that allowing testimonial evidence could lead to early settlement or other early disposition of the proceeding.¹²⁹

While many commenters were in favor of the rule change, however, there was still some concern that allowing the patent owner to submit testimonial evidence would result in too many factual disputes that could not be resolved prior to institution. To address this, and recognizing that the short time frame before institution does not allow for cross-examination of a declaration or for the petitioner to file a reply brief, the USPTO provided that “any factual dispute created by testimonial evidence that is material to the institution decision will be resolved in favor of the petitioner solely for the purposes of determining whether to institute a trial.”¹³⁰

But, at the time of the Amendment, there were also concerns that this qualifying language may remove the usefulness of submitting testimonial evidence in support of the preliminary response. Specifically, in most cases the patent owner would submit testimonial evidence with the preliminary response to rebut the petitioner’s factual arguments. But, in this situation, where a genuine issue of material fact is created, the evidence will be viewed in a light most favorable to the petitioner. So, in most situations, even if the patent owner were to submit testimonial evidence, it is likely that trial will still be instituted.

Additionally, submitting testimonial evidence with the preliminary response raised some additional concerns. For example, if the same declarant supports the preliminary response and the main patent owner response, should trial be instituted, the declaration will be opened up to another seven hours of deposition (cross-examination) time pursuant to 37 C.F.R. § 42.51(b)(1)(ii). Further, there was the substantial concern that submitting testimonial evidence would potentially provide greater insight into the patent owner’s arguments, allowing the petitioner’s expert to be more thoroughly prepared prior to her deposition, and resulting in potentially damaging rebuttal testimony.

Moreover, there was the concern about the optics of an institution decision where the PTAB weighed evidence from both parties. Specifically, if trial is instituted after the PTAB has considered

¹²⁸ *Id.* at 18,755.

¹²⁹ *Id.*

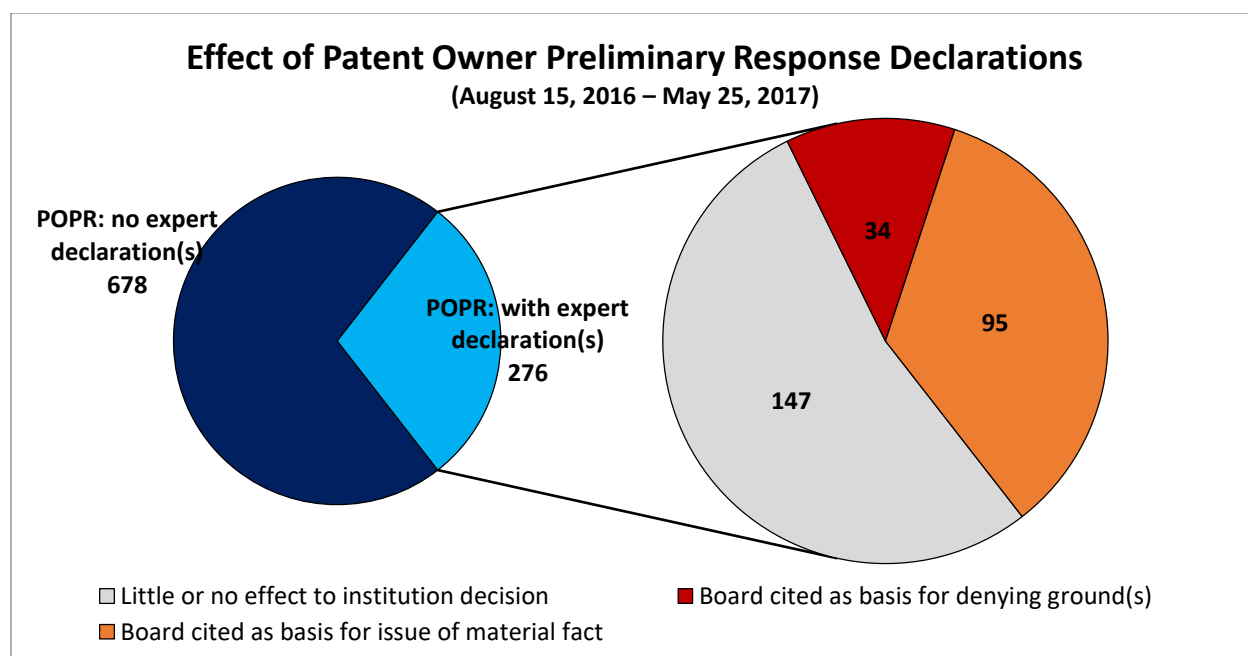
¹³⁰ *Id.*; see also 37 C.F.R. § 42.108(c).

the patent owner’s main arguments, which were supported by testimonial evidence, the institution decision appears that much more foreboding. Thus, while the Amendments allow patent owners to file testimonial evidence, there were many potential concerns with submitting such evidence that the patent owners needed to weigh.

3. The use of testimonial evidence with patent owner preliminary responses has been limited to date.

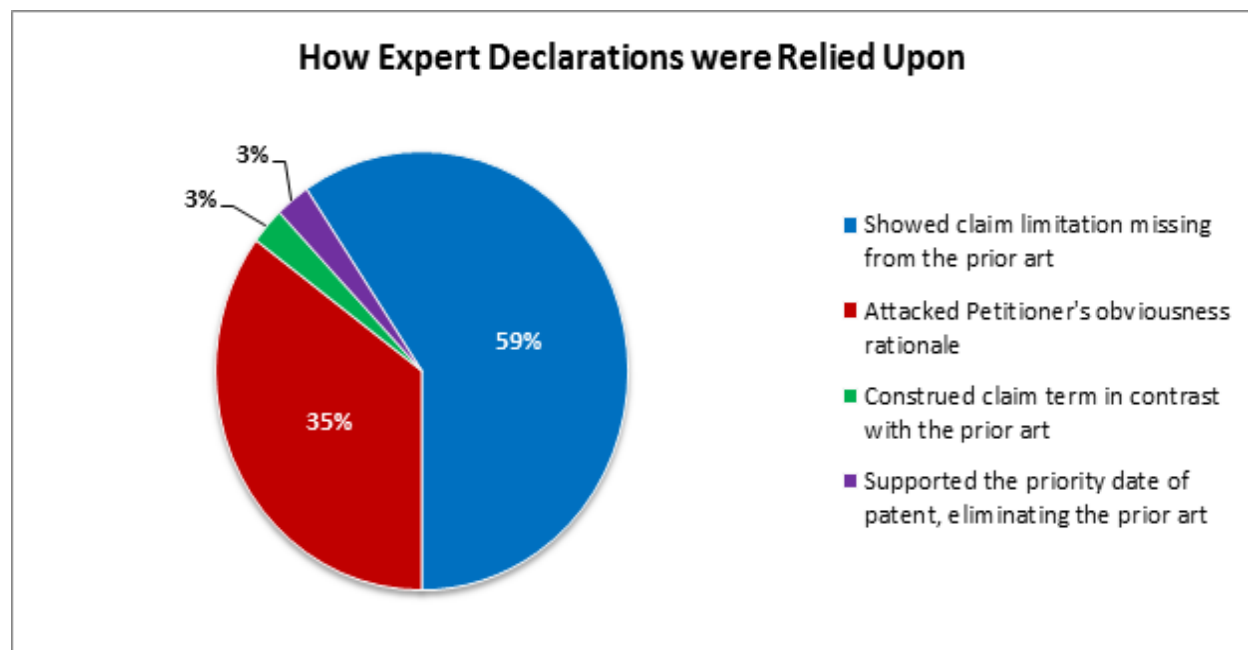
Based on the below charts, which summarize the effect of patent owner preliminary response declarations from August 15, 2016,¹³¹ through May 25, 2017, it appears that introduction of new evidence seems to have done little for patentees thus far. In this 9-month window of Board decisions, roughly 30% of patent owners availed themselves of the new option. Of those 276 patent owners availing themselves of the new rule, 53% of the institution decisions failed to mention the new evidence at all. And, notably, only 12% of the institution decisions relied on the testimonial evidence when deciding to deny institution.

In 95 of the institution decisions, charted below in orange, the Board considered the evidence when assessing a factual dispute between the parties (likely disputing petitioner declaration evidence, the dispute construed in favor of the petitioner for institution purposes). The new evidence was cited as supporting the Board’s decision not to institute an IPR in only 34 decisions (charted in red). Of course, it is hard to gauge the value of these submissions in the 147 decisions which did not reference the evidence. For example, although unreferenced, the evidence may have nevertheless reinforced a Board determination one way or the other.



¹³¹ August 15, 2016, was chosen to capture those institution decisions having preliminary responses due on or after May 15, 2016.

Additionally, as to the 34 cases in which the new evidence was case dispositive, the breakdown of the issues addressed in those decisions is broadly categorized as follows:



As can be seen, the most effective testimonial submissions during the preliminary proceeding are technical in nature. That is, they are either explaining a missing claim feature from the perspective of one skilled in the art (59% of cases), or undermining the proffered obvious rationale of the petitioner (39% of cases).

As noted above, the data set is still in its infancy. Likewise, the Board itself is still acclimating to this new dynamic. Additionally, because of the newness of the mechanism, it is unclear how this new testimonial evidence will affect the remainder of the IPR proceeding in the 242 cases where the Board instituted IPR.¹³² That said, it appears that patent owners should still be cautious when assessing whether to submit testimonial evidence with their patent owner responses.

The new rules that went into effect on May 2, 2016, also allow a petitioner to request leave to file a reply to the patent owner's preliminary response.¹³³ But, in order to do so, the petitioner must show good cause.¹³⁴ And, although the Board was asked what qualified as “good cause,” the Board did not provide much insight on this issue. In response to comments regarding the “good cause” standard, the Board provided that “the decision concerning whether petitioner will be afforded a reply and the appropriate scope of such a reply rests best with the panel deciding the proceeding to take into

¹³² There has been at least one IPR in which cross-examination of the preliminary response declarant was allowed to proceed before the institution decision was issued. *Reactive Surfaces LTD., LLP v. Toyota Motor Corp.*, No. IPR2016-01462, Paper 30 (P.T.A.B. May 31, 2017).

¹³³ 37 C.F.R. § 42.108(c).

¹³⁴ *Id.*

account the specific facts of the particular case.”¹³⁵ Thus, while petitioners may seek leave to file a reply brief, there is no clear rubric for determining whether the “good cause” standard is met.

Also, because the decision governing reply briefs is panel-specific, and under the new rules the Board is already required to resolve any issues of material fact in favor of the petitioner, the Board’s allowance of reply briefs has been quite scarce. In fact, in the 276 cases where a patent owner filed new testimonial evidence with its preliminary response, a petitioner reply brief to address this evidence was only allowed in less than 5 situations.¹³⁶ In that case, the reply responded to the patent owner’s assertion that the claims were entitled to an earlier priority date.¹³⁷ As this Chapter analyzes only the cases prior to May 25, 2017, where an institution decision has issued, it is possible that more panels will authorize reply briefs as the Board becomes more familiar with the evidence. But, for now, this evidence seems to indicate that even if the patent owner files testimonial evidence, it is unlikely that the Board will authorize a reply brief.

¹³⁵ 81 Fed. Reg. at 18,756–18,757.

¹³⁶ *Apple Inc. v. Personalized Media Commun’s., LLC*, Case No. IPR2016-00755, Paper 7 (P.T.A.B. Jun. 24, 2016).

¹³⁷ *Id.* at 6–7.

IV. Presenting Evidence and Protecting Confidentiality in PTAB Proceedings

Post-grant proceedings at the PTAB were created to provide a relatively low-cost forum to determine patentability before fact finders relatively skilled in technology and patent law. At the same time, PTAB trials have been designed with less discovery and strict time constraints. As a consequence, the evidentiary records are small and the opportunities to cure defects are few. At their best, PTAB trials are mainly about the record, which makes creating and preserving the record a pivotal concern for every party.

Unpatentability over prior art is a ground for instituting an IPR, PGR, and CBM. It is the only ground for IPR, which is by far the most common form of review at present. With unpatentability challenges based on obviousness over prior art under 35 U.S.C. § 103 comes the possibility of objective evidence of nonobviousness (secondary considerations). This objective evidence may include evidence of competitor copying or commercial success, which may involve confidential business information that might need protection. Hence, unpatentability grounds based on prior art provide a convenient lens for considering presentation of evidence and protection of confidentiality in PTAB proceedings.

A. PRESENTING EVIDENCE OF PRIOR ART PATENTS AND PRINTED PUBLICATIONS

Best Practice 8 – The petitioner should keep in mind that each type of review has its own specific constraints for prior art, which should be substantiated in the petition.

Each of the AIA proceedings (e.g., IPR, PGR, and CBM) define a scope of evidence available as providing a basis of a patentability challenge. The proceedings do not contemplate notice pleading followed by available discovery to substantiate a pleaded case. As such, petitioners have limited ability to supplement evidence during the trial stage of a proceeding, and must observe the restrictions as to the scope of the evidence available and substantiate their evidence in the petition materials.

The grounds for instituting IPR are narrow.¹³⁸ “A petitioner in an inter partes review may request to cancel as unpatentable 1 or more claims of a patent . . . only on the basis of prior art consisting of patents or printed publications.”¹³⁹ Whether an asserted reference is a patent is usually self-evident. By contrast, determining whether a given reference qualifies as a prior art “printed publication” involves “a case-by-case inquiry into the facts and circumstances surrounding the reference’s disclosure to members of the public.”¹⁴⁰

¹³⁸ 35 U.S.C. § 311(b).

¹³⁹ *Id.*

¹⁴⁰ *A.R.M., Inc., v. Cottingham Agencies Ltd.*, No. IPR2014-00671, Paper No. 10 at 7 (P.T.A.B. Oct. 3, 2014) (citing *In re Klopfenstein*, 380 F.3d 1345, 1350 (Fed. Cir. 2004)).

The Federal Circuit has held that “public accessibility” is the touchstone in determining whether a reference is a “printed publication” under 35 U.S.C. § 102(b).¹⁴¹ A given reference may be deemed sufficiently “publicly accessible” upon a satisfactory showing that such document “has been disseminated or otherwise made available to the extent that persons interested and ordinarily skilled in the subject matter or art, exercising reasonable diligence, can locate it.”¹⁴² The proponent of the reference “should produce sufficient proof of its dissemination or that it has otherwise been available and accessible to persons concerned with the art to which the document relates and thus most likely to avail themselves of its contents.”¹⁴³ Factors supporting public accessibility include intent to publicize and disseminating activities.¹⁴⁴ Depending on the facts, a declaration from the author or other evidence may be used to establish a reasonable likelihood of publication.¹⁴⁵ Failure to demonstrate publication may eliminate an otherwise strong reference.

For example, in *Hughes Network Systems*, the PTAB denied institution, finding a reference was not a printed publication.¹⁴⁶ The petitioner had submitted a declaration from a co-author of the reference attesting to its publication date.¹⁴⁷ The PTAB stated that the declaration did “not provide sufficient corroboration that the [reference] was actually published.”¹⁴⁸ The reference appeared to be a paper prepared for a conference, but the PTAB noted that the reference did not bear any indicia to indicate a date on which it was presented at the conference or otherwise publicly available.¹⁴⁹ Similarly in *Square*, the PTAB found a reference was not shown to be a printed publication in spite of petitioner’s submission of the reference’s ISBN number.¹⁵⁰ The PTAB explained that “Petitioner has failed to provide any evidence that would allow us to determine the significance of the ISBN number. Petitioner provides no evidence about what an ISBN number actually is, how it is generated, or what it purports to show, which would allow us to assign any weight to it. Thus,

¹⁴¹ *Suffolk Techs., LLC v. AOL Inc.*, 752 F.3d 1358, 1364 (Fed. Cir. 2014); *In re Hall*, 781 F.2d 897, 898–99 (Fed. Cir. 1986).

¹⁴² *Bruckelmyer v. Ground Heaters, Inc.*, 445 F.3d 1374, 1378 (Fed. Cir. 2006); *Cordis Corp. v. Bos. Sci. Corp.*, 561 F.3d 1319, 1333 (Fed. Cir. 2009) (quoting *In re Wyer*, 655 F.2d 221, 226 (C.C.P.A. 1981)); *SRI Int’l, Inc. v. Internet Sec. Sys., Inc.*, 511 F.3d 1186, 1194 (Fed. Cir. 2008).

¹⁴³ *Wyer*, 655 F.2d at 227 (quoting *Philips Elec. & Pharm. Indus. Corp. v. Thermal & Elecs. Indus., Inc.*, 450 F.2d 1164, 1171 (3d. Cir. 1971)).

¹⁴⁴ *Groupon, Inc. v. Blue Calypso, Inc.*, No. CBM2013-00033, Paper No. 51 at 25 (P.T.A.B. Dec. 17, 2014) (citing *Wyer*, 655 F.2d at 227).

¹⁴⁵ *See Hall*, 781 F.2d at 899 (examining affidavit in support of public availability of thesis); *Samsung Elecs. Co. v. Rembrandt Wireless Techs.*, No. IPR2014-00514, Paper No. 18 at 5–10 (P.T.A.B. Sept. 9, 2014) (determining whether the declaration of an editor of an IEEE draft standard sufficiently showed public accessibility of the proposed draft standard).

¹⁴⁶ *Hughes Network Systems, LLC v. California Institute of Technology*, No. IPR2015-00060, Paper No. 18 (P.T.A.B. Apr. 27, 2015).

¹⁴⁷ *Id.* at 14–15.

¹⁴⁸ *Id.* at 15.

¹⁴⁹ *Id.* Note that the presentation itself would not have been a “printed publication” in any case.

¹⁵⁰ *Square, Inc. v. Unwired Planet, LLC*, CBM2014-00156, Paper No. 11 (P.T.A.B. Dec. 24, 2014).

without more, the ISBN number is not particularly probative of the public accessibility of [the asserted reference] on a particular date.”¹⁵¹

By contrast, the petitioner in *Medtronic* was preliminarily successful. The PTAB granted institution, stating that although the “evidence pertaining to the public availability of the [reference] is somewhat general, [the petitioner] has provided evidence to a degree that is sufficient at this stage of the proceeding.”¹⁵² The patent owner argued that the reference was available only “at a password-protected website” that was “limited only to [petitioner’s] customers and employees,” access to which “without authorization is a violation of state and federal law.”¹⁵³ Therefore, the reference was “not ‘publicly posted’ for access by ordinary members of the public.”¹⁵⁴ Nonetheless, the petitioner’s submission of a declaration and a company memorandum attesting to public availability was sufficient for the non-final decision to institute.¹⁵⁵ Similarly, in *EMC*, the PTAB found two electronic documents to be prior art printed publications because both documents had been posted on publicly accessible electronic bulletin board systems that were well known to those in the art, could be downloaded from those bulletin boards, and bore the dates the documents were “posted,” i.e., made publicly available on the site.¹⁵⁶

CBM review has been held to further narrow the scope of permitted prior art: it excludes prior art that would be available under 35 U.S.C. § 102(e). Under § 102(e), a patent or published patent application is available as prior art, even though it is published after the targeted patent’s earliest effective filing date, if it has a claim with an effective filing date that is earlier than the targeted patent’s earliest effective filing date. Section 18 of the AIA, which governs CBM reviews, does not explicitly exclude § 102(e) art; however, AIA § 18(a)(1)(C) requires that a challenge to a claim in a CBM patent be supported by prior art that is (i) described by pre-AIA 35 U.S.C. § 102(a) or (ii) that discloses the invention more than 1 year before the date of application for patent in the United States and would be described by pre-AIA 35 U.S.C. § 102(a) if the disclosure had been made by another before the invention thereof by the applicant for patent. The PTAB has concluded that these constraints exclude references that are prior art under 35 U.S.C. § 102(e).

For example, in *Meridianlink*, the PTAB instituted a CBM review based on a reference that was prior art only under pre-AIA 35 U.S.C. § 102(e).¹⁵⁷ However, after institution, the PTAB construed the rules and statute to bar reliance on the reference in a CBM review. The PTAB explained that “although [the reference] is prior art under 35 U.S.C. § 102(e), it does not meet the criteria to support a challenge under AIA § 18(a)(1)(C).”¹⁵⁸ Neither the petition nor the patent owner’s preliminary response had recognized that the reference was not permitted under AIA § 18(a)(1)(C). The PTAB gave the parties the option to proceed under § 101 and § 103 but, when the patent owner

¹⁵¹ *Id.* at 18–19.

¹⁵² *Medtronic, Inc. v. NuVasive, Inc.*, No. IPR2013-00506, Paper No. 9 at 8 (P.T.A.B. Feb. 13, 2014).

¹⁵³ *Id.*

¹⁵⁴ *Id.* at 7.

¹⁵⁵ *Id.* at 8.

¹⁵⁶ *EMC Corp. v. PersonalWeb Technologies LLC*, No. IPR2013-00087, Paper No. 16 at 13–16 (P.T.A.B. May 17, 2013).

¹⁵⁷ *Meridianlink, Inc. v. DH Holdings, LLC.*, No. CBM2013-00008, Paper No. 20 (P.T.A.B. June 24, 2013).

¹⁵⁸ *Id.*, Paper No. 24 at 2 (P.T.A.B. Sept. 12, 2013).

objected, the PTAB determined it would proceed only under § 101 and issued a shorter schedule given the narrowing of the issues. Similarly, in *Hulu*, the PTAB explained “§ 102(e) references do not qualify as prior art on which a covered business method patent review may be based.”¹⁵⁹ The PTAB denied institution, finding that the petitioner’s grounds asserting obviousness were defective because each ground relied on one or more references that were asserted to be prior art only under pre-AIA 35 U.S.C. § 102(e).¹⁶⁰

Seeking PGR based on a reference asserted as prior art under pre-AIA § 102(e), or AIA § 102(a)(2), presents additional challenges where a petitioner must rely on the effective date of an earlier filed provisional application. In order for a provisional application to qualify as art under either provision, it must support the claims of the later “child” patent/application asserting priority thereto. If a petitioner plans to rely on an effective filing date of an earlier-filed provisional application, the petitioner must demonstrate that the relevant disclosure of the prior art patent is supported in the provisional application.

In *Dynamic Drinkware*,¹⁶¹ for example, the Federal Circuit affirmed the PTAB decision finding that an IPR petitioner failed to meet its burden of proving a cited prior art U.S. patent was entitled to its earlier provisional application’s priority date. The challenged patent in *Dynamic Drinkware* claimed priority to a June 2000 provisional application, but the patent owner established that the inventor had completed the invention and reduced it to practice as of March 2000 (the “critical date”). The asserted prior art patent, however, matured from an application filed in May 2000 (after the critical date), but claimed priority back to a pre-critical date, February 2000, provisional application filing. *Dynamic Drinkware* failed to prove the cited patent was entitled to its February 2000 provisional filing date. The court explained that, as the IPR petitioner, *Dynamic Drinkware* had the ultimate burden of persuasion to prove entitlement to the provisional filing date, but failed. In an IPR, it is the petitioner who carries the burden of persuasion on unpatentability—that burden never shifts to the patent owner.¹⁶² *Dynamic Drinkware*, however, ultimately failed to establish that the asserted U.S. patent was entitled to the February 2000 provisional filing date.¹⁶³

Proving the unpatentability of claims over prior art is a central issue in most PTAB reviews. As these cases show, however, successfully establishing that a reference is eligible prior art can be challenging. This challenge arises, in part, from the complex interactions between the statutes governing the different post-grant proceedings. Whatever the cause, a misstep in the petition might not be curable.

¹⁵⁹ *Hulu, LLC v. Intertainer, Inc.*, No. CBM2014-00053, Paper No. 11 at 14 (P.T.A.B. June 23, 2014) (citing *MeridianLink*, No. CBM2013-00008, Paper No. 24 at 2 (P.T.A.B. Sept. 12, 2013) and Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18(a)(1)(C), 125 Stat. 284, 330 (2011)).

¹⁶⁰ *Id.*

¹⁶¹ *Dynamic Drinkware LLC v. National Graphics, Inc.*, 800 F.3d 1375 (Fed. Cir. 2015).

¹⁶² *Id.* at 1379.

¹⁶³ *Id.* at 1382; *see also* *Ariosa Diagnostics, Inc. v. Illumina, Inc.*, No. IPR2014-01093, Paper No. 69 at 11–16 (P.T.A.B. Jan. 7, 2016).

B. PRESENTING EVIDENCE OF WITNESS TESTIMONY

In addition to prior art patents and printed publications, witness testimony may be presented to the PTAB. Testimony must ordinarily be in the form of a written declaration.¹⁶⁴ The proponent of the testimony must make the witness available for cross-examination.¹⁶⁵

The proponent of the testimony must make the witness available even if the witness does not wish to be cross-examined. If necessary, the proponent should seek leave from the PTAB to obtain a subpoena under 35 U.S.C. § 24—otherwise, the proponent risks the PTAB striking the testimony. In *FLIR Systems*, the proponent failed to make the witness available after the opposing party requested cross-examination.¹⁶⁶ The PTAB *sua sponte* excluded the testimony of the witness.¹⁶⁷ The PTAB issued a strongly-worded opinion, emphasizing that cross-examination is “essential to American jurisprudence,” and that the burden to present the witness is on the party presenting the direct testimony of the witness, and not on the party requesting cross-examination.¹⁶⁸

Best Practice 9 – A proponent of fact or expert witness testimony should take steps to ensure the availability of the witness for cross-examination, including timely seeking a subpoena if the witness becomes uncooperative. Failure to produce witnesses should result in testimony being struck from the record.

Cross-examination is a critical tool in assessing the sufficiency and credibility of testimonial evidence. Moreover, live testimony, while technically available as an option, is a rarity at the PTAB. Accordingly, a party presenting a witness’s testimony should ensure the availability of the witness for cross-examination. If a witness is not made available, the PTAB should grant requests to strike the direct testimony evidence and expunge it from the record.

C. BALANCING THE PRESENTATION OF OBJECTIVE INDICIA OF NONOBVIOUSNESS (“SECONDARY CONSIDERATIONS”) WITH PRESERVING CONFIDENTIALITY

Best Practice 10 – The patent owner should balance the low success of secondary consideration evidence against the risk of commercial information becoming available.

1. The PTAB rarely finds nonobviousness based on secondary considerations.

Unpatentability may be established on the basis of obviousness.¹⁶⁹ A showing of objective indicia of nonobviousness, also known as secondary considerations, may overcome a petitioner’s evidence of

¹⁶⁴ 37 C.F.R. § 42.53(a).

¹⁶⁵ 37 C.F.R. § 42.51(b)(1)(ii).

¹⁶⁶ *FLIR Systems, Inc. v. Leak Surveys, Inc.*, No. IPR2014-00411, Paper No. 113 at 14–16 (P.T.A.B. Sept. 3, 2015).

¹⁶⁷ *Id.* at 16.

¹⁶⁸ *Id.* at 14–16.

¹⁶⁹ *LKQ Corp. v. Clearlamp LLC*, No. IPR2013-00020, Paper No. 73 at 25–26 (P.T.A.B. Mar. 27, 2014); 35 U.S.C. § 103.

obviousness.¹⁷⁰ Secondary considerations include factors such as long-felt need, praise by competitors, copying, commercial success, failure of others, and unexpected results.¹⁷¹ Secondary considerations will not be accorded weight unless the patent owner establishes (1) that the secondary considerations are reasonably commensurate in scope to the claims and (2) that there is a nexus between the evidence of secondary considerations and the claimed invention such that the secondary considerations result from the novel features of the claimed invention.¹⁷² The PTAB may decide the issue of secondary considerations in its institution decision or in its final decision.¹⁷³ The patent owner should articulate nexus arguments in detail because the PTAB has taken a strict approach to assessing secondary considerations.¹⁷⁴

In *LKQ Corp.*, the PTAB explained that to demonstrate nonobviousness based on commercial success, a “patentee must offer ‘proof that the sales were a direct result of the unique characteristic of the claimed invention—as opposed to other economic and commercial factors unrelated to the quality of the patented subject matter.’”¹⁷⁵ The PTAB further required the patent owner to provide comparative sales data such as market share information because “absolute numbers are not very meaningful.”¹⁷⁶ The patent owner submitted evidence of its sales, but the PTAB concluded that the patent owner failed to establish commercial success, stating that “absent from any of [patent owner’s] filings is any meaningful assessment of other potential factors that may have contributed to such sales that have no bearing on the merits of the invention.”¹⁷⁷ Additionally, the PTAB held that evidence of market share was lacking.¹⁷⁸

Similarly, in *Medtronic*, the PTAB rejected the patent owner’s secondary considerations argument because the patent owner failed to establish sufficient nexus between the evidence and the claimed invention.¹⁷⁹ For example, in order to establish praise by competitors, the patent owner in *Medtronic* submitted two presentations, both purportedly by the petitioner.¹⁸⁰ One presentation showed impressive results of a study of the claimed method and presented the results as reasons to perform the claimed method; the other showed other competitors’ attempts to occupy the market, implying those competitors had copied the claimed method.¹⁸¹ In spite of the patent owner’s efforts, the

¹⁷⁰ *Id.* at 25.

¹⁷¹ *Medtronic, Inc. v. NuVasive, Inc.*, No. IPR2014-00087, Paper No. 10 at 19–20 (P.T.A.B. Apr. 8, 2014).

¹⁷² *Id.*

¹⁷³ *Intri-Plex Techs. Inc. v. Saint-Gobain Performance Plastics Rencol Ltd.*, No. IPR2014-00309, Paper No. 83 (P.T.A.B. Mar. 23, 2015) (final written decision); *Omron Oilfield & Marine, Inc. v. MD/TOTCO*, No. IPR2013-00265, Paper No. 11 (P.T.A.B. Oct. 31, 2013) (institution decision).

¹⁷⁴ *See LKQ*, No. IPR2013-00020, Paper No. 73 at 26 (“[S]econdary considerations of nonobviousness . . . simply cannot overcome a strong prima facie case of nonobviousness.” (quoting *Wyers v. Master Lock Co.*, 616 F.3d 1231, 1246 (Fed. Cir. 2010))).

¹⁷⁵ *Id.* at 28–29 (citations omitted).

¹⁷⁶ *Id.* at 29.

¹⁷⁷ *Id.*

¹⁷⁸ *Id.*

¹⁷⁹ *Medtronic, Inc. v. NuVasive, Inc.*, No. IPR2014-00087, Paper No. 10 at 19–22 (P.T.A.B. Apr. 8, 2014).

¹⁸⁰ *Id.* at 20–21.

¹⁸¹ *Id.*

PTAB found this evidence was insufficient because the patent owner did not adequately explain how the claimed methods, the purported praise of the claimed method, or the purported activities of the competitors relate to the claims of the patent at issue.¹⁸² Additionally, the patent owner attempted to establish commercial success by submitting a presentation, purportedly by the petitioner, with a chart showing increasing sales for the patent owner.¹⁸³ The PTAB found this was insufficient because the patent owner did not explain adequately how the presentation shows commercial success, how that success is attributable to the claimed invention, or how the presentation material relates to the claimed invention.¹⁸⁴

Only a few cases have been identified in which a patent owner prevailed based on a showing of secondary considerations. In *Omron Oilfield & Marine*, the patent owner successfully established commercial success, and institution was denied.¹⁸⁵ The PTAB requirements were similar to those in *LKQ* and *Medtronic*: that the patent owner provide evidence of “significant sales in a relevant market, and that the successful product is the invention disclosed and claimed in the patent.”¹⁸⁶ The patent owner prevailed by presenting a brochure touting the claimed inventive features and testimony that a product was successful due to the patented features.¹⁸⁷ However, the patent owner failed to establish long-felt but unsolved need because it provided no evidence to explain how long a need for the invention had been felt or when such a need first arose and did not show that other inventors attempted, but failed, to solve the problems addressed by the claimed invention.¹⁸⁸

In *Intri-Plex Techs.*, the PTAB upheld the challenged claims based on evidence of commercial success and copying.¹⁸⁹ The patent owner established the claimed invention’s dominant position in the relevant market using evidence that the patent owner was the sole supplier to 85% of the market.¹⁹⁰ The patent owner also produced evidence that the addition of a single novel aspect to an existing product quickly caused sales of the modified product to supplant sales of existing products.¹⁹¹ Evidence of the petitioner’s copying of the claimed invention, established in part by the petitioner’s own admissions that its customers demanded the claimed invention, further supported the patent owner’s argument of commercial success.¹⁹²

The PTAB has been known, however, to be restrictive in its views on secondary considerations. *In re Glatt Air Techniques, Inc.* involved a reexamination in which the PTAB’s predecessor rejected nexus

¹⁸² *Id.* at 21.

¹⁸³ *Id.* at 20.

¹⁸⁴ *Id.*

¹⁸⁵ *Omron Oilfield & Marine, Inc. v. MD/TOTCO*, No. IPR2013-00265, Paper No. 11 (P.T.A.B. Oct. 31, 2013).

¹⁸⁶ *Id.* at 13 (quoting *Ecolchem, Inc. v. S. Cal. Edison Co.*, 227 F.3d 1361, 1377 (Fed. Cir. 2000)).

¹⁸⁷ *Id.* at 14–15.

¹⁸⁸ *Id.* at 15–16.

¹⁸⁹ *Intri-Plex Techs., Inc. v. Saint-Gobain Performance Plastics Rencol Ltd.*, No. IPR2014-00309, Paper No. 83 (P.T.A.B. Mar. 23, 2015).

¹⁹⁰ *Id.* at 36–37.

¹⁹¹ *Id.* at 37.

¹⁹² *Id.* at 38. An additional case where secondary considerations successfully outweighed a case of obviousness at final written decision is *Phigenix, Inc. v. ImmunoGen, Inc.*, No. IPR2014-00676, Paper No. 39 (P.T.A.B. Oct. 27, 2015).

for commercial success because it was not commensurate in scope with the claim.¹⁹³ The Court of Appeals for the Federal Circuit, however, reversed, in part reasoning that a patent owner need not sell every conceivable embodiment of the claims in order to rely upon evidence of commercial success; rather, commercial success evidence should be considered so long as what was sold was within the scope of the claims.¹⁹⁴

Secondary considerations are hard to establish and rarely outweigh a strong case of obviousness. The PTAB may, however, be taking too narrow a view of secondary considerations. This issue is one in which judicial review may recalibrate the existing practice.

2. Protecting confidential information presented to the PTAB requires a showing of good cause.

PTAB proceedings allow for limited discovery such as mandatory initial disclosures and document production.¹⁹⁵ As in district court proceedings, a party may seek to discover material that is confidential. The opposing party may request a protective order to limit access and may move to seal evidence to keep discovered material confidential from the public. PTAB rules provide for the protection of confidential information in PTAB proceedings, using protective orders to govern the exchange and submission of such information during the proceeding.¹⁹⁶ Although the default is to make the record of PTAB proceedings public, the rules provide for the filing of motions to seal in order to limit or preclude public disclosure of confidential information upon a showing of good cause.¹⁹⁷ The confidential information will be provisionally sealed on receipt of the motion and remain so pending the outcome of the PTAB’s decision on the motion.¹⁹⁸ Where the PTAB denies the motion, the material may be immediately unsealed, but the PTAB may provide the parties with a period to take curative action, such as filing redacted copies.¹⁹⁹ The PTAB has explained that the public notice function of patents creates a strong public policy for making all information filed in PTAB proceedings public. While this policy makes sense for evidence on which the PTAB relies to uphold patentability, the notice function would not appear to be implicated if the evidence is not used to uphold patentability.

Any proof of “good cause” must outweigh the interest of the public.²⁰⁰ In addition, a motion to seal must include a certification that the moving party has “in good faith conferred, or attempted to

¹⁹³ *In re Glatt Air Techniques, Inc.*, 630 F.3d 1026 (Fed. Cir. 2011).

¹⁹⁴ *Id.* at 1030.

¹⁹⁵ 37 C.F.R. § 42.51.

¹⁹⁶ 37 C.F.R. § 42.54; *see also* 35 U.S.C. § 316(a)(7) (requiring the Director to promulgate rules “providing for protective orders governing the exchange and submission of confidential information”).

¹⁹⁷ 37 C.F.R. §§ 42.14, 42.54.

¹⁹⁸ 37 C.F.R. § 42.14.

¹⁹⁹ *Garmin Int’l, Inc. v. Cuozzo Speed Techs. LLC*, No. IPR2012-00001, Paper No. 34 at 4 (P.T.A.B. Mar. 5, 2013).

²⁰⁰ *Search Am., Inc. v. Transunion Intelligence, LLC*, Nos. CBM2013-00037, -00038, Paper No. 55 at 3 (P.T.A.B. Oct. 2, 2014) (explaining a good cause showing “includes a showing that the information is truly confidential, and that such confidentiality outweighs the strong public interest in having an open record”); *see also Garmin Int’l*, No. IPR2012-00001, Paper No. 34 at 2–3.

confer, with the opposing party in an effort to come to an agreement on the scope of the protection sought.”²⁰¹

In *Search America*, the PTAB denied the patent owner’s motion to seal portions of two expert declarations and certain exhibits related to those declarations.²⁰² The PTAB characterized the patent owner’s evidence of good cause as mere assertions that the documents “contain[ed] non-public and business sensitive communications involving Patent Owner,” and noted that the patent owner had failed to submit a declaration in support of the assertions.²⁰³ Moreover, the PTAB noted that the petitioner did not appear to have sought PTAB authorization for the motion.²⁰⁴

Best Practice 11 – When considering motions to seal or redact confidential information, the PTAB should deny only with respect to confidential information used to confirm patentability.

While the PTAB has emphasized the strong public policy in favor of public proceedings, it also recognizes that the effects of a release of confidential information are irreversible.²⁰⁵ In *Garmin Int’l*, the patent owner failed to meet its burden of proof in its motion to seal; nevertheless, the PTAB recognized the irreversibility of releasing confidential material and provided the patent owner with one week to supplement, revise, or withdraw the motion to seal.²⁰⁶ Additionally, it provided the patent owner with the option to request to expunge certain exhibits or expunge the exhibits and replace them with redacted versions.²⁰⁷ Alternatively, the PTAB may conditionally grant a motion to seal for the duration of the proceeding.²⁰⁸ In *Apple*, the parties filed a joint motion to seal such that both parties agreed to the terms of the protective order, and neither party opposed sealing. In its conditional grant of the motion to seal, the PTAB explained that material will be unsealed if the PTAB’s final written decision substantively relies on any information in the sealed material, and the material will be expunged from the record if it contains no such information.²⁰⁹

As discussed earlier, secondary consideration arguments, the principal context in which confidential information would be useful, are rarely successful. Although evidence submitted in support of an unsuccessful argument might ultimately be expunged, the process of protecting confidential information at the PTAB is complicated, expensive, and potentially risky. As such, parties should think carefully before filing any confidential information.

²⁰¹ *Search Am.*, Nos. CBM2013-00037, -00038, Paper No. 55 at 3.

²⁰² *Id.* at 3–4.

²⁰³ *Id.*

²⁰⁴ *Id.* at 4.

²⁰⁵ *Garmin Int’l*, No. IPR2012-00001, Paper No. 34 at 4 (“We recognize a denial of [patent owner’s] motion would immediately unseal the material [patent owner] desires to be placed under seal and the effect would be irreversible.”).

²⁰⁶ *Id.*

²⁰⁷ *Id.*

²⁰⁸ *Apple Inc. v. SightSound Techs., LLC*, No. CBM2013-00023, Paper No. 88 at 5–8 (P.T.A.B. Apr. 30, 2014).

²⁰⁹ *Id.*

Also, the USPTO should observe 37 C.F.R. § 42.56 as including a waiting period before confidential information is unsealed to permit the entity whose information would be unsealed to seek appropriate relief.

V. Termination after Settlement

The procedures developed by the USPTO and the published decisions by the PTAB have made it clear that parties involved in post-grant proceedings, and particularly patent owners, should be mindful that settlement between the parties does not necessarily mean termination of the PTAB proceedings.

Before the enactment of the AIA, the USPTO had sole discretion regarding whether to terminate post-grant proceedings that had been instituted. Parties to those proceedings had no power to request termination regardless of settlement. By contrast, the AIA provides for termination of post-grant proceedings in the event of settlement.²¹⁰ The PTAB has broad discretion regarding whether to terminate proceedings based on the facts and circumstances of each proceeding, and in some cases, the PTAB has exercised its discretion to continue proceedings to final written decisions despite the parties having settled and filed a joint request to terminate the proceedings.²¹¹ Practically, settlements prior to the conclusion of briefing—roughly one month prior to the hearing—are likely to result in termination, but after that the Board may choose to proceed regardless of settlement. There is, therefore, some uncertainty for parties regarding whether settlement will necessarily terminate a post-grant proceeding, particularly when the parties settle late in the proceeding.

A. JOINT REQUESTS TO TERMINATE BASED ON SETTLEMENT

Parties to an instituted post-grant proceeding may file a joint request for termination under 35 U.S.C. §§ 317(a) and 327(a). The statute provides that the proceeding shall be terminated “with respect to any petitioner” unless the PTAB has decided the merits of the proceeding before the request for termination is filed.²¹² The statute also provides that if no petitioner remains party to the proceeding, the PTAB may either terminate the review or proceed to a final written decision.²¹³

The PTAB has interpreted these provisions as requiring dismissal with regard to a settling petitioner but granting the PTAB broad discretion to continue a proceeding with regard to the patent owner, even if all petitioners have been dismissed.²¹⁴ To date, nearly eight hundred post-grant proceedings have settled prior to a final written decision, and in nearly all of the cases, the PTAB has terminated the proceedings based on the parties’ joint motions to terminate.²¹⁵ However, in a handful of other cases, the PTAB has continued proceedings to final written decisions on the merits after the parties settled and filed joint requests to terminate the proceedings.²¹⁶ The PTAB has stated that this rule

²¹⁰ See 35 U.S.C. §§ 317(a), 327(a).

²¹¹ See, e.g., *Blackberry Corp. v. Mobilemedia Ideas LLC*, No. IPR2013-00036, Paper No. 64 (P.T.A.B. Jan 21, 2014); *Interthinx Inc. v. CoreLogic Solutions LLC*, No. CBM2012-00007, Paper No. 47 (P.T.A.B. Nov 12, 2013).

²¹² 35 U.S.C. §§ 317(a), 327(a).

²¹³ *Id.*

²¹⁴ *Blackberry*, No. IPR2013-00036, Paper No. 64 at 2 (stating that the PTAB “is not a party to [a] settlement and may determine independently any question of patentability”).

²¹⁵ See, e.g., *Samsung Electronics Co. Ltd. v. U.S. Ethernet Innovations LLC*, No. IPR2013-00384, Paper No. 11 (P.T.A.B. Jan. 22, 2014).

²¹⁶ See, e.g., *Blackberry*, No. IPR2013-00036, Paper No. 64; *Interthinx*, No. CBM2012-00007, Paper No. 47.

allows it greater flexibility to balance the public interest in resolving issues of unpatentability with the need to efficiently allocate PTAB resources.²¹⁷

PTAB procedures and published decisions to date indicate that petitioners may benefit more from PTAB settlements than patent owners. While a patent owner may benefit from the absence of the petitioner during oral argument or a subsequent Federal Circuit appeal, there is still a risk that its patent claims will be cancelled. By contrast, the petitioner is dismissed from the proceeding and is no longer subject to estoppel under § 315(e) or § 325(e).²¹⁸ Thus, patent owners should carefully consider the benefits and drawbacks of settlement when considering whether and when to settle.

B. FACTORS RELEVANT TO JOINT REQUESTS TO TERMINATE POST-GRANT PROCEEDINGS

A review of published decisions to date has identified several factors the PTAB considers when determining whether to terminate or continue a post-grant proceeding after settlement and a joint request to terminate. The most important consideration has been the stage at which the parties file their joint request to terminate, but the PTAB has also considered the status of co-pending litigations and whether the patent owner has filed a request to amend the claims.

The PTAB’s decision to terminate or continue a post-grant proceeding often depends on the stage at which the parties file their joint request to terminate. The PTAB has routinely granted joint requests to terminate filed during the early stages of a proceeding, particularly when filed before a decision on institution.²¹⁹ However, the more advanced the proceedings, the less likely the PTAB will be to terminate. For example, while the PTAB has granted termination of an IPR proceeding over nine months into an instituted proceeding—after the written record had been submitted and oral hearing had been formally requested—it denied a similar request to terminate a CBM proceeding at the same advanced stage.²²⁰ Ultimately, the longer the parties delay settlement, the greater the risk the PTAB will dismiss the petitioner but proceed to a final written decision with regard to the patent owner.

Best Practice 12 – Parties interested in settlement should explore settlement with opposing counsel often and, if agreeable, file a joint request for termination as early in the proceeding as possible.

The PTAB considers the status of co-pending litigation when determining whether to grant a request to terminate a post-grant proceeding. Decisions to date indicate that the PTAB is less likely

²¹⁷ Proposed Rule Amendments, 80 Fed. Reg. at 50,738.

²¹⁸ 35 U.S.C. § 317(a) (“If the [proceeding] is terminated with respect to a petitioner under this section, no estoppel under section 315(e) shall attach to the petitioner, or to the real party in interest or privy of the petitioner, on the basis of that petitioner’s institution of [the proceeding].”).

²¹⁹ See, e.g., *Aker Biomarine AS v. Neptune Technologies and Bioresources Inc.*, No. IPR2014-00126, Paper No. 15 at 2 (P.T.A.B. Jan. 21, 2014); *New Bay Capital LLC v. VirnetX Inc.*, No. IPR2013-00375, Paper No. 16 at 1–2 (P.T.A.B. Nov. 12, 2013).

²²⁰ Compare *Sony Corp. v. Tessera Inc.*, No. IPR2012-00033, Paper No. 46 at 2 (P.T.A.B. Dec. 20, 2013) (terminating over nine months after institution, submission of the written record, and request for an oral hearing), with *Interthinx Inc. v. CoreLogic Solutions LLC*, No. CBM2012-00007, Paper No. 47 at 2 (P.T.A.B. Nov. 12, 2013) (continuing a CBM proceeding settled at the same stage of the proceeding).

to grant a request to terminate a post-grant proceeding when other defendants in co-pending litigations may have standing to file similar petitions, thereby forcing the PTAB to repeatedly address similar issues.²²¹ By contrast, the PTAB has been much more willing to grant requests for termination in cases where no co-defendants in co-pending litigations are able to file related petitions for post-grant review.²²²

Occasionally, the PTAB has also considered whether a patent owner has filed a motion to amend the claims when determining whether to grant a joint request to terminate the proceedings. The few decisions discussing this factor indicate that the PTAB is less likely to grant a joint request to terminate when the patent owner has filed a motion to amend the claims.²²³

Parties should seek to meet-and-confer after the filing of a petition, after any institution, and at a minimum no later than one month prior to the oral hearing in a genuine attempt to settle and avoid the cost of litigation. To that end, parties should prepare and enter into mutual nondisclosure agreements related to settlement talks to facilitate candid discussion and resolve the need for continued litigation.

The Board should consider imposing an alternative dispute resolution program or mandatory post-filing/institution settlement discussions between the parties. Both the PTAB and the district courts are, first and foremost, concerned with solving disputes; therefore, all concerned parties should make every effort to seek settlement wherever possible.

C. PROTECTING CONFIDENTIAL INFORMATION AFTER SETTLEMENT

While the scope of discovery in post-grant proceedings before the PTAB is limited, parties can reasonably expect situations where they are required to disclose confidential information. For example, lab notebooks, sales and marketing data, and competitive analyses are all likely relevant to issues of validity addressed during post-grant proceedings. Therefore, parties to post-grant proceedings should be aware of how to control dissemination of confidential information after settlement and, depending on the parties’ strategies, a joint request for termination.

1. Option 1—Settlement and Joint Request for Termination

Parties filing a joint request for termination of a proceeding are required to submit to the PTAB a written copy of any settlement agreement.²²⁴ To maintain the settlement agreement as confidential, the parties must—at the time the settlement agreement is submitted—file a written request to treat

²²¹ See, e.g., *Interthinx*, No. CBM2012-00007, Paper No. 47 at 2.

²²² See, e.g., *Smith & Nephew Inc. v. Bonutti Skeletal Innovations*, No. IPR2013-00604, Paper No. 15 at 2 (P.T.A.B. Jan. 17, 2014).

²²³ *Compare* *Apotex Inc. v. Alcon Pharmaceuticals Ltd.*, No. IPR2013-00012, Paper No. 73 at 2 (P.T.A.B. Nov. 15, 2013) (granting motion to terminate where the patent owner did not file a motion to amend), *with* *Blackberry Corp. v. Mobilemedia Ideas LLC*, No. IPR2013-00016, Paper No. 31 at 2–3 (P.T.A.B. Dec. 11, 2013) (partially denying motion to terminate where the patent owner filed a motion to amend).

²²⁴ 37 C.F.R. § 42.74(b).

the settlement agreement as confidential and maintain it in a separate file from the challenged patent.²²⁵ The settlement agreement will then be maintained as confidential unless:

- (1) a government agency submits a written request for the settlement agreement,²²⁶ or
- (2) any other person submits a written request establishing “good cause.”²²⁷

It remains to be seen what types of requests will constitute “good cause.” The PTAB has indicated that a request under the Freedom of Information Act would not necessarily be sufficient to establish good cause,²²⁸ and has indicated that no other government agency has yet requested or been given any settlement agreements. Otherwise, parties to post-grant proceedings have little guidance as to what to expect from an as-filed settlement agreement. Given the PTAB’s demanding case load and interest in encouraging settlement,²²⁹ it would not be surprising for the PTAB to set a high bar to satisfy the “good cause” standard.

2. Option 2—Settlement and Petitioner Withdrawal

Given the uncertainty regarding what constitutes “good cause” to release an otherwise confidential settlement agreement, parties to settlements may wish to take alternative steps to protect their confidential information. For example, rather than submitting a formal joint request to terminate the proceeding based on settlement, the parties may arrange for the petitioner to simply notify the PTAB that it no longer intends to engage in the proceeding. As discussed, a joint request for termination triggers the requirement that the parties submit a copy of the settlement agreement to the PTAB, and with no joint request, there is no requirement that the parties submit the settlement agreement.²³⁰ Then, with no petitioner remaining party to the proceeding, the parties may hope that the PTAB uses its discretion to terminate the proceedings.²³¹

This approach, however, is not without risks. As discussed above, in the situation where no petitioner remains a party to the proceeding, the PTAB is still free to continue to a final written decision on the merits.²³² Thus, parties that choose to pursue this strategy should only do so early in the proceeding when the PTAB is far less likely to continue regardless of the petitioner’s withdrawal.²³³ Moreover, petitioners must recognize that once they are dismissed from the

²²⁵ *Id.* at § 42.74(c).

²²⁶ *Id.* at § 42.74(c)(1).

²²⁷ *Id.* at § 42.74(c)(2).

²²⁸ Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions, 77 Fed. Reg. 48,612, 48,649 (Aug. 14, 2012) (to be codified at 37 C.F.R. pts. 1, 42, and 90).

²²⁹ Proposed Rule Amendments, 80 Fed. Reg. at 50,738.

²³⁰ 37 C.F.R. § 42.74(b).

²³¹ 35 U.S.C. §§ 317(a), 327(a).

²³² *Id.*

²³³ *See Aker Biomarine AS v. Neptune Technologies and Bioresources Inc.*, No. IPR2014-00126, Paper No. 15 at 2 (P.T.A.B. Jan. 21, 2014) (“This case is in the preliminary proceeding stage; no institution of a trial has been made.”);

proceedings, only patent owners will have the right to file a motion to expunge any later-disclosed confidential information.²³⁴

Best Practice 13 – Settling parties should coordinate with opposing counsel regarding strategy for protecting confidential information after settlement and consider memorializing that strategy in an agreement.

Just as parties often confer regarding how to handle confidential materials after settling district court litigation, the same makes sense at the conclusion of a post-grant proceeding. The procedures for safeguarding such information should ideally be made part of the settlement agreement, but if not, parties should work quickly thereafter to come to an agreement.

New Bay Capital LLC v. VirnetX Inc., No. IPR2013-00375, Paper No. 16 at 1–2 (P.T.A.B. Nov. 12, 2013); Federal Reserve Banks v. Leon Stambler, No. IPR2013-00341, Paper No. 12 at 3 (P.T.A.B. Dec. 11, 2013).

²³⁴ 37 C.F.R. § 42.56.

VI. Efficient Handling of Multiple and Serial Parallel USPTO Proceedings

In creating IPR, Congress granted the Director of the USPTO broad discretion in joining co-pending IPR proceedings. Pursuant to 35 U.S.C. § 315(c):

[i]f the Director institutes an inter partes review, the Director, in his or her discretion, may join as a party to that inter partes review any person who properly files a petition under section 311 that the Director, after receiving a preliminary response under section 313 or the expiration of the time frame for filing such a response, determines warrants the institution of an inter partes review under section 314.²³⁵

The USPTO rules further provide that “[w]here another matter involving the patent is before the Office, the Board may during the pendency of the inter partes review enter any appropriate order regarding the additional matter including providing for the stay, transfer, consolidation, or termination of any such matter.”²³⁶

As a separate and distinct way of managing parallel or serial proceedings, the statute also provides pursuant to 35 U.S.C. § 315(d):

Notwithstanding sections 135(a), 251, and 252, and chapter 30, during the pendency of an inter partes review, if another proceeding or matter involving the patent office is before the Office, the Director may determine the manner in which the inter partes review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding.²³⁷

In addition, pursuant to 35 U.S.C. 325(d):

In determining whether to institute or order a proceeding under this chapter, chapter 30, or 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 were presented to the Office.²³⁸

These provisions separately and in combination provide broad mechanisms for the Board to manage the efficient resolution of proceedings involving the same parties or issues.

A. JOINDER—35 U.S.C. § 315(c)

The PTAB put to rest the debate as to whether the statute permits joinder of not only parties, but also issues. Both are permitted. With respect to party joinder, 35 U.S.C. § 315 promotes efficient,

²³⁵ 35 U.S.C. § 315(c).

²³⁶ 37 C.F.R. §§ 42.122(a), 42.222(a).

²³⁷ 35 U.S.C. § 315(d).

²³⁸ 35 U.S.C. § 325(d).

just, speedy, and inexpensive determinations. It may be the only cost-effective opportunity small entities have to participate in PTAB proceedings. Joinder can also lessen the burden on patent owners by extending estoppel without additional separate proceedings. With respect to issue joinder, although it can be denied on discretionary grounds where appropriate, it is permitted by statute.²³⁹ Typically, opponents of issue joinder are concerned with abuse, particularly through the granting of “second bites of the apple.” In addition, the risk of abuse is mitigated by the rule requiring joinder motions to be brought within one month of the institution of the IPR for which joinder is requested.²⁴⁰ Further the statute grants the USPTO discretion in identifying areas of abuse and denying institution in such instances. Such denials, however, merely result in the same issues being litigated repetitively in district court, where there is a parallel case pending.

Best Practice 14 – Silent party joinder should be granted as a matter of right. To reduce cost and increase participation, the Board should suggest model language parties may use when moving for joinder.

In the legislative history of the AIA, Senator Kyl, a sponsor of the bill, averred that “[t]he Office anticipates that joinder will be allowed as of right—if an *inter partes* review is instituted on the basis of a petition, for example, a party that files an identical petition will be joined to that proceeding, and thus allowed to file its own briefs and make its own arguments.”²⁴¹ The discretion to deny institution was meant to be a “safety valve” that would “allow the Office to avoid being overwhelmed if there happens to be a deluge of joinder petitions *in a particular case*.”²⁴²

Joinder increases the efficiency of the system and proceedings overall by resolving disputes early and expanding the reach of any resulting estoppel. It allows parties of limited means with an interest in seeing the validity of the patent adjudicated to have a seat at the table. It also prevents the Board from seeing piecemeal serial IPR challenges from multiple defendants in a single litigation, where each defendant files, is instituted, and then settles, restarting the process for the next filer. Many joining parties are more than willing to forgo any right to briefing, argument, or dispute in exchange for the right to step into the shoes of the petitioner should the petitioner settle with the patent owner.

Unfortunately, the procedural quirks of requesting joinder has made it difficult and uncertain for parties seeking efficient resolution of the proceedings to join existing cases. Parties must file a new petition (often being forced to copy the exact arguments of the first party and changing the party names and mandatory notices) with an identical expert declaration and exhibits, and accompany it all with a motion for joinder. They must wait until the first petition is instituted and then file within the first month of the proceeding, though the motions for joinder are often not granted until months later. Then, there is a Board call, and the Board must separately decide on both institution and a

²³⁹ Zhongshan Broad Ocean Motor Co. v. Nidec Motor Corp., No. IPR2015-00762, Paper No. 16 (P.T.A.B. Oct. 5, 2015); *see also* Target Corp. v. Destination Maternity Corp., No. IPR2014-00508, Paper No. 28 (P.T.A.B. Feb. 12, 2015); Skyhawk Techs. LLC v. L&H Concepts, LLC, No. IPR2014-01485, Paper No. 13 (P.T.A.B. Mar. 21, 2015).

²⁴⁰ *See* 37 C.F.R. § 42.122(b).

²⁴¹ 157 CONG. REC. S1376 (daily ed. March 8, 2011) (statement of Sen. Jon Kyl).

²⁴² *Id.* (emphasis added).

motion for joinder. The patent owner may argue that they have a right to file a patent owner’s preliminary response and an objection to joinder. Both parties may oppose.

Given that the joining party will likely have to retain the expert of the first party, who often is ambivalent or opposes the joinder, joining parties are put in an unnecessarily complex position that can result in a failure to join. Additionally, parties have been denied joinder where neither party to the review opposed the joinder, they agreed to a silent role, and they retained the same expert. These actions deprive filers who have invested money into filing from being heard.

Instead, the Board should promulgate guidance and model language that parties may insert into petitions and motions for joinder to invoke pure silent-party joinder as a matter of right. Joinder should remain open and streamlined as a far more efficient means of resolving patentability disputes.

Best Practice 15 – A request for joinder of issues should be liberally granted, unless it prejudices the rights of the parties in the original proceeding, such as by unduly extending the schedule.

Requests for joinder of issues should be liberally granted under 35 U.S.C. § 315 and 37 C.F.R. § 42.122, unless it prejudices the rights of the parties in the original proceeding, such as by unduly extending the schedule. By liberally permitting issue and silent party joinder, petitioners and patent owners, as well as the PTAB, reap the presumptive cost, time, and overall efficiency benefits of a single proceeding.

Another benefit of liberally granting joinder of issues and silent parties is that it facilitates the alignment of disputed claims between the PTAB trial and the concurrent litigation. The system functions best when the PTAB trial determines the patentability of all claims pending in the litigation. Liberally granting requests to join additional claims to the IPR in instances where trial was instituted on less than all of the claims asserted in the litigation increases the likelihood that an instituted PTAB trial will reduce the number of claims at issue in the related litigation.

The magnitude of petitions for IPR filed at the USPTO and the number of involved patents makes the discretion afforded the PTAB to join parallel USPTO proceedings an opportune area for stakeholders to effect just, speedy, and inexpensive determinations. Between September 16, 2012, and June 30, 2015, 3,537 petitions for IPR were received by the USPTO. Those petitions involved 2,280 patents. Of the 2,280 patents, 678 of them were involved in two or more petitions. Thus, joinder implicates nearly 30% of the patents subject to IPR petitions.

Of the 678 patents subject to IPR petitions, 13 patents accounted for 181 petitions. Table 1 shows the most challenged patents during this time period.

Table 1: Most Challenged Patents between September 16, 2012, and June 30, 2015

Rank	Patent	Title	Patent Owner	Petitions
1	6,853,142	Methods and apparatus for generating high-density plasma	Zond, LLC	23

2	6,805,779	Plasma generation using multi-step ionization	Zond, LLC	21
3	7,147,759	High-power pulsed magnetron sputtering	Zond, LLC	19
4	7,604,716	Methods and apparatus for generating high-density plasma	Zond, LLC	16
5	7,811,421	High deposition rate sputtering	Zond, LLC	15
6	7,237,634	Hybrid vehicles	Paice LLC	13
7	7,365,871	Apparatus for capturing, converting, and transmitting a visual image signal via a digital transmission system	e-Watch, Inc.	12
8	8,692,659	Accessory mounting system for vehicle	Magna Electronics, Inc.	11
9	6,806,652	High-density plasma source using excited atoms	Zond, LLC	11
10	7,808,184	Methods and apparatus for generating strongly-ionized plasmas with ionizational instabilities	Zond, LLC	10
11	8,336,772	Data storage and access systems	Smartflash LLC	10
12	7,418,504	Agile network protocol for secure communications using secure domain names	VirnetX, Inc.	10
13	7,921,211	Agile network protocol for secure communications using secure domain names	VirnetX, Inc.	10

With respect to Patent No. 6,853,142, the most challenged patent, 15 of the 23 petitions were instituted. The 6 petitions filed by Intel Corp. (“Intel”) were denied institution in view of a joint motion to terminate due to settlement. The remaining 15 petitions were subject to various joinder requests from 4 distinct parties.

Table 2: Breakdown of Joined Proceedings Challenging U.S. Patent No. 6,853,142

Trial	Proceedings	Claims	Ground	Party
1	IPR2014-00818	1, 3-10, 12, 15, 17-20	103(a)	GlobalFoundries U.S., Inc.
	IPR2014-00866	1, 3-10, 12, 15, 17-20, 42	103(a)	Fujitsu Semiconductor Ltd.
	IPR2014-01012	1, 3-10, 12, 15, 17-20, 42	103(a)	The Gillette Company
	IPR2014-01075	1, 3-10, 12, 15, 17-20, 42	103(a)	Advanced Micro Devices, Inc.
2	IPR2014-00819	21, 24, 26-28, 31, 32, 37, 38	103(a)	GlobalFoundries U.S., Inc.
	IPR2014-00867	21, 24, 26-28, 31, 32, 37, 38	103(a)	Fujitsu Semiconductor Ltd.
	IPR2014-01014	21, 24, 26-28, 31, 32, 37, 38	103(a)	The Gillette Company
	IPR2014-01046	21, 24, 26-28, 31, 32, 37, 38	103(a)	Renesas Electronics Corp.
3	IPR2014-00821	2, 11, 13, 14, 16	103(a)	GlobalFoundries U.S., Inc.
	IPR2014-00863	2, 11, 13, 14, 16	103(a)	Fujitsu Semiconductor Ltd.
	IPR2014-01013	2, 11, 13, 14, 16	103(a)	The Gillette Company
	IPR2014-01057	2, 11, 13, 14, 16	103(a)	Renesas Electronics Corp.

Trial	Proceedings	Claims	Ground	Party
4	IPR2014-00827	22, 23, 25, 29, 31, 33-36, 39	103(a)	GlobalFoundries U.S., Inc.
	IPR2014-00865	22, 23, 25, 29, 31, 33-36, 39, 43	103(a)	Fujitsu Semiconductor Ltd.
	IPR2014-01015	22, 23, 25, 29, 31, 33-36, 39, 43	103(a)	The Gillette Company
	IPR2014-01063	22, 23, 25, 29, 31, 33-36, 39, 43	103(a)	Renesas Electronics Corp.
5	IPR2014-01016	40, 41	103(a)	The Gillette Company
	IPR2014-01098	40, 41	103(a)	GlobalFoundries U.S., Inc.

The Board granted joinder in each as set forth in Table 2 above, noting that (1) the issues between petitions were identical; (2) duplicate filings and discovery would be eliminated; (3) discovery would be consolidated (e.g., one expert between petitioners); (4) one attorney will conduct cross-examination and redirect of involved witnesses; and (5) the trial schedule will not be impacted. None of the petitions would have been time barred under 315(b), as the corresponding district court litigation was filed July 9, 2013.

As a consequence of each party’s joinder, the benefit of efficiency and cost-sharing is offset by loss of control. Practically speaking, joinder requires consolidation of filings and discovery and cooperation and coordination among multiple parties, which is likely implemented by creation of a joint defense group-like litigation management strategy.

A review of the ’142 patent IPR history reveals what has become common: for petitioners to file multiple petitions attacking the same patent substantially in parallel (at or near the same time or prior to any institution decision). As reflected in Table 2, this can be done by separating petitions by claim or, in other cases, unpatentability grounds. For example, the five trials attacking the ’142 patent each challenge a distinct subset of claims. This may be done at the behest of a joint defense group or otherwise. In many other cases, where litigation defendants’ interests are not necessarily aligned, petitioners may opt or be forced to file their own separate petitions by prior art or grounds. Notably, upon receiving separate petitions challenging the ’142 patent divided by claims, the Board did not exercise its discretion to join each petition under § 315(d).

To do so, the Board may recognize that they have the authority to adjust the one year deadline in the case of joinder. Accordingly, the Board may wish to revisit guidance and internal policy on whether

relaxing the timing deadlines in the cases of complex joinder might not ultimately serve all parties’ interests in effectively addressing the entire dispute at once while avoiding redundant, *seriatim* filings that unnecessarily increase waste and cost to the parties and the Board.

In several instances, patent owners have raised concerns that relaxing the one-year deadline and permitting joinder can adversely affect the incentives to settle an IPR with an initial petitioner. Initial petitioners may also enjoy stronger negotiating leverage prior to joinder if settlement with them will prohibit other willing petitioners from challenging the patents. Meanwhile, the Board may have an overarching public interest in efficiency and reviewing patents of dubious validity. Some have observed a rush to settlement before institution and a rush to join, both in order to take advantages of the procedures.

Once a trial is instituted and joinder becomes available, the Board has considered many factors in deciding whether to terminate only to a settling party or for the entire proceeding.²⁴³ Since terminating only to the party may permit an otherwise impermissible IPR to proceed, the Board should be cautious to ensure that overall public interest is advanced in such situations as discussed *infra* in Section V, Termination after Settlement.

Although silent party joinder should be granted as a matter of right, and requests for issue joinder granted liberally, the Board should avoid any accompanying delay to the trial schedule. In the instance of silent party joinder, such action should not result in any delay to the proceeding given the limited role of the joined party. With motions to join issues, in deciding the motion, the Board should ascertain the impact that any requested joinder may have on the trial schedule. If the party requesting joinder seeks an associated extension of any trial deadline, the Board should scrutinize the request to ensure that there is no prejudice to the petitioner or the patent owner from any accompanying resetting of trial deadlines. The Board may, in any case, exercise its discretion to deny requests for issue joinder in order to avoid delaying the resolution of any related parallel proceeding.

B. CONSOLIDATION—35 U.S.C. § 315(d)

The Board has authority to consolidate proceedings involving the same patent.²⁴⁴ Consolidation may be done on a motion by a party (seeking leave) or parties (stipulated), or *sua sponte* by the Board.²⁴⁵ However, the Board is not prohibited from allowing multiple proceedings involving the same patent to proceed separately.²⁴⁶ Accordingly, in exercising its discretion to consolidate parallel proceedings, the Board should evaluate the relative burdens on, and benefits to, the parties and the Board resulting from consolidation.

²⁴³ See *e.g.*, Facebook, Inc. v. Windy City Innovations, LLC, IPR2017-00622, Paper No. 10 (P.T.A.B. June 1, 2017); GlobalFoundries U.S. Inc. v. Godo Kaisha Bridge 1, IPR2017-00925 and IPR2017-00926, Paper No. 12 at 10 (P.T.A.B. June 9, 2017); Qualcomm Inc. v. Bandspeed, Inc., IPR2015-00314 and IPR 2015-01577, Paper No. 21 at 6 (P.T.A.B. November 16, 2015).

²⁴⁴ 35 U.S.C. § 315(d).

²⁴⁵ See, *e.g.*, ZTE Inc. v. Evolved Wireless LLC, IPR2016-01280, Paper 8 (P.T.A.B. Dec. 21, 2016) (consolidating *sua sponte*); American Simmental Association v. Leachman Cattle of Colorado, LLC, PGR2015-00003, -00005, Paper 13 (P.T.A.B. June 13, 2015) (denying consolidation on a motion).

²⁴⁶ See, *e.g.*, Ford Motor Company v. Signal IP, Inc., IPR2015-00860, Paper 14 (P.T.A.B. Nov. 17, 2015) (denying motion to consolidate IPR and *ex parte* reexamination).

Best Practice 16 – The Board should consolidate parallel proceedings involving the same patents *sua sponte* when consolidation will significantly reduce the burden on the Board and parties in resolving the dispute.

To further affect the efficient, just, speedy, and inexpensive goals of the AIA, in parallel proceedings involving the same patents, and when consolidation would significantly reduce the burden on the Board and parties, the Board should *sua sponte* consolidate the proceedings. Because the decision should only be made where the burden of separate proceedings is diminished, the Board’s *sua sponte* decision may be made at any point in the proceeding. Akin to the considerations made when evaluating motions for joinder, considerations the Board should make when evaluating whether to consolidate parallel proceedings *sua sponte* may include: (1) the similarity of the proceedings (IPR, PGR, CBM and *ex parte* reexamination); (2) the similarity of the issues (e.g., claims, prior art, and claim construction); (3) the extent of probable overlap in discovery (e.g., declarants); (4) whether consolidation would delay resolution of any pending proceeding; and (5) the prejudice to the parties resulting from consolidation.

Best Practice 17 – Multiple petitions filed in parallel divided by claims, prior art, or unpatentability grounds should be consolidated to protect the patent owner from duplicative filings and discovery.

The Board should view consolidation as a means to conserve Board resources and to protect patent owners from otherwise duplicative proceedings. There are, however, valid, non-vexatious reasons to file parallel petitions, such as when page limits pertaining to individual petitions present problems. That concern might also last throughout the course of the proceedings if the breadth of the challenged claims and involved issues is such that the standard page limits do not accommodate the matter. In that event, the PTAB would likely be subject to continued requests for expanded page limits. In this case, separate proceedings are just, even if occasionally more costly and less efficient. The petitioner should not be prejudiced by the quantity of claims or prior art.

C. DISCRETION—35 U.S.C. § 325(d)

Pursuant to 35 U.S.C. § 325(d), the Board, in its discretion, may deny a petition where the same or substantially the same prior art or arguments were already presented to the USPTO. This may occur when petitions are filed in parallel, or serially as “follow-on” petitions. In either case, the arguments are “presented to the Office.” Accordingly, it is necessary for the Board to provide guidance to petitioners and patent owners as to how it evaluates parallel and “follow-on” petitions addressing patents already before the USPTO.

The Board’s administration of § 325(d) has prudential implications. For example, the Board decision to institute or not institute a serially-filed petition may affect the scope of the petitioner’s estoppel. While estoppel applies with respect to a claim for any ground that the petitioner raised or reasonably could have raised during an earlier IPR of that claim, § 325(d) provides broad discretion to deny a petition where “substantially the same prior art or arguments previously were presented to the Office” in another proceeding. § 325(d) is broader than § 315 because it is not party-specific, it is not claim-specific, and it is not proceeding-specific. Thus, if § 325(d) is applied to deny a petition based on a different party petition or petition against a different claim, then estoppel may be avoided on the grounds of the petition potentially generating inefficiencies.

On the other hand, serially-filed petitions, particularly those filed after receiving the benefit of an institution decision or a patent owner’s response, may serve to harass the patent owner or prevent market entry through repeated administrative attacks on the validity of the patent. Balancing these considerations is necessary to achieve the AIA’s goal of providing an alternative, cost-effective, efficient mechanism for the resolution of validity disputes.

Best Practice 18 – “Follow-on” petitions should be liberally granted and consolidated with pending parallel proceedings.

Best Practice 19 – Harassing or vexatious “follow-on” petitions should be denied using a “just cause” standard.

The Board’s discretion in denying petitions under § 325(d) should consider the totality of the circumstances and account for the identity of the “follow” on the petitioner relative to the earlier filing petitioner, as well as the “follow-on” petitioner’s rationale for filing the petition and time elapsed between the filing of the petitions.²⁴⁷ This analysis may differ depending on the nature of the “follow-on” petition and the potential application of estoppel, e.g., whether it raises new prior art, new claims, or a new argument from the earlier filed petition. In any case, petitions based on duplicative, cumulative, or redundant prior art or argument should weigh in favor of the Board’s exercise of discretion to deny the “follow-on” petition under § 325(d), particularly when made by the same petitioner thereby increasing the potential applicability of estoppel.

In instances where the “follow-on” petition involves the same patent and prior art as—but different claims from—the prior petition(s), the Board should evaluate the petitioner’s rationale for not challenging the newly identified claims in the prior petition(s). Ordinarily, a petitioner’s desire to invalidate a patent provides adequate incentive to include as many non-duplicative claims as possible in the prior petition(s).²⁴⁸ To the extent certain claims are unchallenged, if a claim construction determination, patent owner response, or other filing, justifies filing a “follow-on” petition to challenge a previously unchallenged claim, the Board should refrain from denying such petitions under § 325(d) on this basis alone unless there is a clear indication of intent to harass the patent owner with multiple petitions or an artificially enlarged proceeding. Ordinarily, however, the just, speedy, and inexpensive resolution of disputes would warrant instituting these petitions and consolidating them with the prior proceedings given the likelihood of common issues and discovery.

²⁴⁷ See, e.g., *Nvidia Corp. v. Samsung Elecs. Co., Ltd.*, IPR2016-00134, Paper 9 at 8 (P.T.A.B. May 4, 2016) (setting forth seven factors the Board may consider: (1) the resources of the Board; (2) the requirement under 35 U.S.C. § 316(a)(11) to issue a final determination not later than 1 year after the date on which the Director notices institution of review; (3) whether the same petitioner already previously filed a petition directed to the same claims of the same patent; (4) whether at the time of filing of the first petition the petitioner knew of the prior art asserted in the second petition or should have known about it; (5) whether at the time of filing of the second petition the petitioner already received the patent owner’s preliminary response to the first petition or received the Board’s decision on whether to institute review in the first petition; (6) the length of time that elapsed between the time petitioner learned of the prior art asserted in the second petition and filing of the second petition; and (7) whether petitioner provides adequate explanation for the time elapsed between the filings of multiple petitions directed to the same claims of the same patent).

²⁴⁸ *Accord In re Katz Interactive Call Processing Patent Litigation*, 639 F.3d 1303, 1311–13 (Fed. Cir. 2011) (affirming the lower court’s procedure to permitting additional claims be added to the litigation (following a requirement to select) if the plaintiff could show that the additional claims presented unique issues).

In instances where the “follow-on” petition involves the same claims of the same patent, but different prior art as the prior petition(s), the Board should again evaluate the petitioner’s rationale for not raising the newly identified prior art in the prior petition(s). This evaluation should incentivize the petitioner’s search for prior art and submission of the best, non-cumulative prior art combinations possible in the first petition. Accordingly, the raising of prior art in a “follow-on” petition that the petitioner should have been aware of²⁴⁹ when filing the first petition should weigh in favor of the Board’s exercise of discretion to deny the follow-on petition under § 325(d) or apply estoppel provisions under § 315.

In instances where the “follow-on” petition involves the same claims of the same patent and the same prior art as the prior petition(s), but new argument (e.g., same claims, same prior art, new combinations), the Board should again evaluate the petitioner’s rationale for not raising the new argument in the prior petition(s). This evaluation should incentivize petitioners’ reliance on comprehensive, non-cumulative argument in the first petition. Accordingly, the reliance on arguments in a “follow-on” petition that rely on information the petitioner should have been aware of when filing the first petition should weigh in favor of the Board’s exercise of discretion to deny the “follow-on” petition under § 325(d). However, if a claim construction determination, patent owner response, or other filing provides new information the petitioner could not reasonably have been aware of when filing the first petition, the Board should refrain from denying such petitions under § 325(d). The use of the prior institution decision or patent owner response as a roadmap, itself, should not warrant denial under § 325(d) absent evidence of intent to harass.²⁵⁰

Another consideration in any of the “new art,” “new claim,” or “new argument” scenarios is the time elapsed between the first-filed petition(s) and the “follow-on” petition and the ability to join or consolidate the “follow-on” petition with a pending proceeding. In any case, the Board should guard against delaying the resolution of any pending proceeding and should incentivize early filing of “follow-on” petitions.

If the “follow-on” petition is made within a month of institution of the prior petition(s), the Board should refrain from denying such petitions under § 325(d). “Follow-on” petitions made at this early stage may be subject to a motion, or *sua sponte* order, to join or consolidate with the parallel proceedings involving the same parties, patents, claims, or arguments. In this circumstance, institution furthers the AIA’s goal of providing a just and efficient forum to litigate validity in a single proceeding. However, if the “follow-on” petition is made beyond the one-month time period following institution, the Board should consider whether the “follow-on” petition could still be joined or consolidated with the parallel proceeding. If so, the Board should consider whether joinder or consolidation would: (1) delay resolution of the pending proceeding, (2) prejudice the parties to the to-be-joined or consolidated proceeding, or (3) burden the Board. In instances where there is no

²⁴⁹ In the context of evaluating estoppel, courts indicate they will apply estoppel to grounds not asserted in the IPR petition, so long as they are based on prior art that could have been found by a skilled searcher’s diligent search. *See, e.g.,* Douglas Dynamics, LLC v. Meyer Prods. LLC, No. 14-cv-886, 2017 U.S. Dist. LEXIS 58773, at *13 (W.D. Wis. Apr. 18, 2017); Clearlamp LLC v. LKQ Corp., No. 12 C 2533, 2016 U.S. Dist. LEXIS 186028, at *19–20 (N.D. Ill. Mar. 18, 2016). The Board should use the same standard when determining what art the petitioner should have been aware of under § 325(d), inquiring whether the art was known by the petitioner or could have been discovered by a skilled searcher’s diligent search. *See, e.g.,* Great West Casualty Co. v. Intellectual Ventures II LLC, IPR2016-01534, Paper 13 at 15–16 (P.T.A.B. Feb. 15, 2017).

²⁵⁰ Ericsson Inc. v. Intellectual Ventures II LLC, IPR2015-01872, Paper 10 at 16 (P.T.A.B. Mar. 14, 2016).

discernable delay, prejudice, or burden, the Board should refrain from denying such petitions under § 325(d).

In any case, if the Board determines that it would be inappropriate to join or consolidate the “follow-on” petition with a parallel proceeding due to the time elapsed between their respective filings, such determination should weigh in favor of the Board’s exercise of discretion to deny the follow-on petition under § 325(d). It may also be that the “follow-on” petitioner had notice of the prior petition or instituted proceeding and delayed filing a petition and related motion to join or consolidate the proceedings. Such notice should also weigh in favor of the Board’s exercise of discretion to deny the “follow-on” petition under § 325(d).

In sum, under a “just cause” standard, § 325(d) should be used to deny harassing petitions, but the Board should resist the urge to employ § 325(d) as a means to control dockets where multiple petitions are necessary to fully address the patentability dispute and joinder and consolidation are more appropriate mechanisms.

Best Practice 20 – The Board should consolidate common elements of parallel proceedings, even if the trials are proceeding separately.

To further achieve the efficient, just, speedy, and inexpensive goals of the AIA, the Board should consolidate elements of parallel proceedings, even if the trials are proceeding separately. For example, with respect to the ’142 patent discussed above, to the extent there are overlapping issues of claim construction or discovery, or other possible trial issues, the Board should order joint hearings, briefing, etc. to decide the issues in parallel instead of forcing duplicative work by each party to resolve common issues present in otherwise uncommon proceedings.²⁵¹ As a practical matter, the Board may authorize the parties to file such papers with a special header identifying the proceedings in which an identical version of the paper was filed, akin to the header ordinarily reserved for the Board in joined proceedings.

²⁵¹ See, e.g., *Sony Corporation v. Memory Integrity, LLC*, IPR 2015-00158, Paper 33, at 2 (P.T.A.B. Jan. 29, 2016) (ordering a consolidated hearing for two proceedings involving distinct petitioners, but involving the same patent); *Innopharma Licensing, Inc. v. Senju Pharmaceutical Co., Ltd.*, IPR2015-00902, IPR2015-00903, Paper 10, at 2 (P.T.A.B. Apr. 22, 2015) (permitting the petitioner to file a consolidated reply brief in four separate proceedings).

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FORWARD
IN A
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The Sedona Conference Working Group 10 on Patent Litigation Best Practices— List of Steering Committee Members and Judicial Advisors

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Hon. Kathleen M. O’Malley, U.S. Appellate Judge, Court of Appeals for the Federal Circuit
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