



# Second Bite of the Apple

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Originally published in Intellectual Property Magazine in February 2019

In this article, the second of two discussing the recent changes at the PTAB, **Michael L Kiklis, Shu Chen and Matthew D Zapadka** discuss the proposed change to claim amendment practice as well as strategies for success at the PTAB.

**On 29 October 2018, the US Patent and Trademark Office (USPTO) published a request for comments (RFC) for a proposed motion-to-amend procedure in inter partes reviews (IPRs), covered business methods (CBMs), and post-grant reviews (PGRs).<sup>1</sup>** The goal of the proposed procedure is to provide the parties with an initial assessment of the amendment early in the process, provide meaningful opportunity to revise and oppose proposed amendments, and ensure that the amendment process concludes within the 12-month statutory timeline.

The proposed procedure would effectively give patent owners two bites at the apple when seeking amendments. Under the proposed system, a patent owner has six weeks after institution to move to amend, and a petitioner has six weeks to respond.

One month after that, the Patent Trial and Appeal Board (PTAB) will issue a non-binding preliminary decision on the proposed amendments' validity. If the non-binding preliminary decision is unfavourable to the patent owner, the patent owner has one month to file a revised motion to amend and respond to the issues raised in the preliminary decision.

If the non-binding preliminary decision is favourable to the patent owner, the petitioner will have an opportunity to file a reply to the preliminary decision.

In either case, the opposing party would have an opportunity to file a response before the PTAB issues a final ruling on the amendment. The proposed procedure is based on an accelerated timeframe as the America Invents Act (AIA) mandates the entire proceeding be completed within 12 months after the review is instituted.

One of the requests for comments asks whether motions to amend should be either non-contingent or contingent on the PTAB finding claims unpatentable. Patent owners will undoubtedly want the ability to file contingent motions, which they have now.

The USPTO is also seeking comments on whether it should promulgate a rule on the burden of persuasion for proving the patentability or unpatentability of amended claims. Currently, the PTAB places the burden on the petitioner for proving the unpatentability of amended claims, per *Aqua Products*.<sup>2</sup>

This proposed process will make it more likely that a motion to amend will succeed. Nevertheless, motions to amend will likely continue to be used sparingly because intervening rights apply to amended claims per 35 USC §§ 318(c)<sup>3</sup> and 252.<sup>4,5</sup>

Approximately 85% of IPR petitions have a co-pending district court litigation.<sup>6</sup> Because intervening rights may preclude an infringement finding for the alleged infringing product at the district court, it seems unlikely that this process will be widely used.

## Practice tips

For petitioners, petition timing can be used strategically to perhaps receive early notice of the patent owner's claim construction arguments, even before the patent owner has received meaningful discovery at the district court. But great care needs to be taken because a petitioner may only get a single shot at filing a petition.

35 USC § 314(a) has been used to cut back on "follow-on" petitions, where a petitioner files a second petition after it has already filed a first one.

Section 314(a) allows the PTAB to use its discretion to consider “the potential impacts on both the efficiency of the IPR and the fundamental fairness of the process for all parties”. In doing so, the PTAB will consider non-exclusive factors in exercising discretion on whether to institute, especially as to follow-on petitions challenging the same patent as challenged previously.

These factors – known as the *General Plastic*<sup>7</sup> factors – include considering:

- ❖ Whether the same petitioner previously filed a petition directed to the same claims of the same patent.
- ❖ Whether at the time of filing the second petition the petitioner already received the patent owner’s preliminary response to the first petition or received the PTAB’s decision on whether to institute review in the first petition.
- ❖ The length of time that elapsed between the time the petitioner learned of the prior art asserted in the second petition and the filing of the second petition, among other factors. Importantly, too long a delay by a petitioner has been used as a reason for denying institution when that petitioner did not file a prior petition, but other companies filed petitions much earlier.<sup>8</sup> Delay can therefore be deadly.

Of course, the petition needs to be filed within one year of service of the district court complaint per 35 USC § 315(b), but this provides several opportunities.

For example, filing a petition early increases the chances of getting a stay at the district court<sup>9</sup> and may force the patent owner to provide its claim construction in its preliminary response – due three months after filing the petition – which may be far before they would otherwise be required to do so at the district court.

Although filing the preliminary response is optional, and if the patent owner files one, they may avoid discussing claim construction, the patent owner’s best chance of winning at the PTAB is to not get instituted, with current institution rates hovering at around 60%. Thus, patent owners should be motivated to discuss claim construction if it would be case dispositive.

Another benefit to filing early is to receive the PTAB’s initial claim construction – due six months after filing the petition<sup>10</sup> – in its institution decision before having to brief claim construction at the district court. The PTAB’s view, although not final, may provide some persuasive assistance at the district court, given that the PTAB judges are all technical.

On the other hand, the petitioner may opt to wait until after the district court’s *Markman* decision before filing their petition. The benefit to this approach is that the petitioner would be able to select the best prior art for that claim construction, knowing that the PTAB will consider the court’s construction, although the rule does not state that the PTAB is bound by it. As mentioned previously, though, waiting too long when co-defendants are filing petitions can be perilous.

Another important factor for petition timing is to ensure that both the district court case and the PTAB case end up at the Federal Circuit at about the same time if the district court does not grant a stay. A PTAB litigation lasts for 18 months and may be extended by several months if a request for rehearing is filed by the losing party.<sup>11</sup> If the petitioner loses at the district court, and the loss is affirmed by the Federal Circuit such that nothing is left to do at the district court, even a later win at the PTAB may be too late.<sup>12</sup>

On the other hand, a petitioner’s loss at the district court can be nullified by a win at the PTAB if both cases reach the Federal Circuit at about the same time, because the patent is rendered invalid *ab initio*. Given the risks of delaying too long, it does not seem like there is much of an upside to waiting to file a petition, particularly since an early-filed petition may force the patent owner to take validity positions at the PTAB before they have even had a chance to formulate their final infringement positions at the district court through meaningful discovery of the accused product. In this case, the patent owner is somewhat flying blind.

For patent owners, the *Phillips* standard breathes new hope into the case. No longer can petitioners argue for a broad invalidity construction at the PTAB and a narrow non-infringement construction at the district court. Under the broadest reasonable interpretation (BRI) standard, petitioners were able to run away from any arguments they made at *Markman*.

Now, patent owners can hold petitioner’s to prior statements and arguments and can use prior claim construction rulings. This should be a boon to patent owners.

Also, patent owners should rely on the canon of construing claims to preserve their validity.<sup>13</sup> Undoubtedly, this will not come into play in every case, but patent owners now have a powerful back-up argument. If their primary claim construction argument fails, they can argue alternatively that if there is ambiguity after considering the evidence, the patent owner’s claim construction should be adopted, or at least one that preserves the patent.

## Summary

PTAB practice has been challenging, to say the least, for patent owners. But we have now entered a new era in PTAB litigation. The updates to the trial practice guide, the new standard operating procedures, the new claim construction standard, and the potential for a better amendment process provide many opportunities for patent owners, as well as something that was very much needed: a more level playing field.<sup>14</sup>

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### Footnotes

1. Request for comments on motion to amend practice and procedures in trial proceedings under the America Invents Act before the Patent Trial and Appeal Board, 83 Fed Reg 54,319, 54,325 (29 Oct 2018).
2. Guidance on motions to amend in view of *Aqua Products* (21 Nov 2017) (available at [https://www.uspto.gov/sites/default/files/documents/guidance\\_on\\_motions\\_to\\_amend\\_11\\_2017.pdf](https://www.uspto.gov/sites/default/files/documents/guidance_on_motions_to_amend_11_2017.pdf)).
3. § 318(c) states that “[a]ny proposed amended or new claim determined to be patentable ... shall have the same effect as that specified in section 252 for reissued patents on the right of any person who made, purchased, or used within the US, or imported into the US, anything patented by such proposed amended or new claim, or who made substantial preparation therefore, before the issuance of a certificate [by the Director confirming the claim as patentable].” § 252 states that “[a] reissued patent shall not abridge or affect the right of any person or that person’s successors in business who, prior to the grant of a into the US, anything patented by the reissued patent, to continue the use of, to offer to sell, or to sell to others to be used, offered for sale, or sold, the specific thing so made, purchased, offered for sale, used, or imported unless the making, using, offering for sale, or selling of such thing infringes a valid claim of the reissued patent which was in the original patent.”
4. *Marine Polymer Technologies, Inc v HemCon, Inc*, 672 F.3d 1350, 1362 (Fed Cir 2012). (“The statute provides for two types of intervening rights: (1) intervening rights that abrogate liability for infringing claims added to or modified from the original patent if the accused products were made or used before the reissue, often referred to as absolute intervening rights; and (2) intervening rights that apply as a matter of judicial discretion to mitigate liability for infringing such claims even as to products made or used after the reissue if the accused infringer made substantial preparations for the infringing activities prior to reissue, often referred to as equitable intervening rights.”)
5. David Ruschke & Scott R Boalick, Patent public advisory committee quarterly meeting PTAB update at 8 (9 Nov 2017) (available at [https://www.uspto.gov/sites/default/files/documents/20171109\\_PPAC\\_PTAB\\_Update.pdf](https://www.uspto.gov/sites/default/files/documents/20171109_PPAC_PTAB_Update.pdf))
6. Trial practice guide update (August 2018) at 9-11 (available at [https://www.uspto.gov/sites/default/files/documents/2018\\_Revised\\_Trial\\_Practice\\_Guide.pdf](https://www.uspto.gov/sites/default/files/documents/2018_Revised_Trial_Practice_Guide.pdf))
7. *NetApp, Inc v Realtime Data LLC*, Case IPR2017-01195, slip op at 12-13 (PTAB 12 Oct 2017) (Paper 9); *Shenzhen Silver Star v iRobot Corp*, IPR2018-00761, Paper 15 (5 Sept 2018)).
8. *AT & T Intellectual Prop I v Tivo, Inc*, 774 F Supp. 2d 1049, 1052 (ND Cal 2011) (“[t]he early stage of a litigation weighs in favour of granting a stay...”)
9. AIA trial types, <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/trials/aia-trial-types> (last visited 5 Nov 2018).
10. AIA trial types, <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/trials/aia-trial-types>; 37 C.F.R. § 42.71
11. Fresenius USA, Inc v Baxter Int’l, Inc, 721 F.3d 1330, 1346 (Fed Cir 2013). (Pending infringement action was rendered moot by cancellation of the claims at the USPTO because “the [Patent Act] requires that a final USPTO decision affirmed by this court be given effect in pending infringement cases that are not yet final.”)
12. *Rhine v Casio, Inc*, 183 F.3d 1342, 1345 (Fed Cir 1999).
13. Part one of this article featured in *IPM*’s Dec 2018-Jan 2019 issue. PTAB shake up. p26.