

What 18 Months Of IPR Stats Teach Us About Winning Appeals

By **Larry Sandell** (July 20, 2020)

The first job of an appellate attorney is to hone in arguments that have the best chance of success.

Standards of review, specific factual circumstances, and key U.S. Court of Appeals for the Federal Circuit and U.S. Supreme Court precedent guide practitioners in deciding if and how to appeal final written decisions of the Patent Trial and Appeal Board in inter partes review proceedings.

However, a bird's eye view of recent Federal Circuit IPR rulings reveals important statistical trends about the court and may shed additional light to aid in this critical initial task.



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An overarching review of approximately 300 Federal Circuit IPR opinions issued in 2019 and the first half of 2020 reveals statistical tendencies that highlight the types of arguments — from losing patent owners and losing petitioners, respectively, at the PTAB — that are likely to succeed, likely to fail, or are likely to be unceremoniously rejected in a Rule 36 affirmance at the Federal Circuit. The review also highlights chronological trends in Federal Circuit rulings that may shed light on where PTAB appeals are headed.

In an earlier Law360 **guest article**, I offered statistical analyses of Federal Circuit IPR rulings from first seven months of 2019. The instant article provides a similar assessment for the period spanning from January 2019 through the end of June 2020. To study chronological trends, the 18 months of Federal Circuit IPR rulings were categorized into three time periods: the first half of 2019, the second half of 2019 and the first half of 2020.

As a group, patent owner-appellants seldom succeeded at the Federal Circuit, with PTAB unpatentability determinations being affirmed 85% of the time. With approximately 60% of such affirmances being made under Rule 36, approximately half of all patent owner IPR appeals were rejected without a substantive appellate opinion.

Overall, the affirmance rate for patent owner appeals has increased over the past 18 months — from 83% in the first half of 2019, slightly down to 82% in the second half of 2019, and all the way up to 91% in the first six months of 2020.

The proportion of affirmances pursuant to Rule 36, however, has significantly trended downward — from 70% in the first half of 2019, to 68% in the second half of 2019, and all the way down to 43% in the first six months of 2020. This increase in substantive opinions may be an indirect response to concerns raised to the Supreme Court regarding the Federal Circuit's alleged pervasive reliance on Rule 36.[1]

From January 2019 to June 2020, the patent owner prevailed in a paltry 27 of 200 rulings: Eleven of these successes included claim construction reversals, and nine revolved around other prior art issues. Successful prior art arguments included motivation to combine, inventor diligence, lack of inherency, and a lack of substantial evidence for alleged prior art teachings relied on by PTAB. Despite being raised almost 100 times, procedural arguments by patentees prevailed only 10 times in the last 18 months.

Even with the de novo standard of review, the Federal Circuit affirmed the PTAB's claim

constructions over 86% of the time that they were challenged by a patent owner, and approximately two-thirds of these affirmances were under Rule 36. In the first half of 2019, the second half 2019, and the first half of 2020, the claim construction affirmance rate was 87%, 80% and 92% respectively — of which 65%, 67% and 57% were Rule 36 affirmances, respectively.

Most other patent owner-appellant arguments regarding prior art also failed at an extremely high rate. For example, attacks on PTAB findings of inherency were successful only once out of seven times.

Patent owner-appellants also fared extraordinarily poorly when it came to challenging objective indicia of obviousness, the status of asserted references as prior art, and motivation to combine. All 28 attacks on PTAB obviousness determinations in the face of asserted objective indicia evidence were rejected, with a 68% Rule 36 affirmance rate. All seven attacks on prior art status were rebuffed, with four affirmances under Rule 36.

And 97% of 72 challenges to a person of ordinary skill in the art's, or POSITA's, motivation to combine were rejected, with 41 affirmances under Rule 36. Patent owner arguments concerning inventor diligence — where the PTAB was reversed two out of five times and only once under Rule 36 — had the highest rate of success.

As to patentees' procedural arguments, there were four vacate-and-remand rulings based on *Arthrex Inc. v. Smith & Nephew Inc.*,^[2] including one case where a previously issued Rule 36 affirmance was vacated en banc.

Two arguments regarding rejected motions to amend claims at the PTAB prevailed: In one case, the PTAB had erroneously placed the burden on the patentee to prove patentability; and in the other, the PTAB failed to provide the patentee with notice and an opportunity to respond when it found, sua sponte, the proposed amended claims to be obvious based on a well-known technique.

Additionally, the Federal Circuit vacated one invalidating IPR because the PTAB had previously maintained the subject patent's validity over the same asserted references in another IPR; remanded another because of inconsistent PTAB analyses among two substantially identical challenged claims; and rejected another IPR because the petitioner had ceased to be a real party in interest at the time of institution.

In 33 instances, the patent owner argued inadequate notice or a failure of due process under the Administrative Procedure Act, asserting that the final written determination was based on arguments or constructions raised by the PTAB sua sponte and/or raised by petitioner in an untimely manner that denied the patent owner an adequate opportunity to respond. The Federal Circuit affirmed the PTAB in 94% of the cases, and two-thirds of those affirmances were under Rule 36.

Finally, IPR time bar arguments were rejected three times and prevailed twice, but in one of the two successful time bar assertions, supplemental briefing in view of the Supreme Court's opinion in *Thryv Inc. v. Click-To-Call Technologies LP*^[3] was recently requested. The *Thryv* opinion appears positioned to foreclose appellate time bar arguments moving forward.

The Federal Circuit's 2019 and 2020 rulings reveal that petitioners also face an uphill battle when appealing IPR final written determinations, but to a much lesser degree: Approximately 67% of petitioner appeals were affirmed (59%) or dismissed (8%).

Approximately one in four affirmances was pursuant to Rule 36.

Overall, the affirmance or dismissal rate for petitioner appeals has slowly decreased over the past 18 months from 72% in the first half of 2019, to 67% in the second half of 2019, and to 63% in the first six months of 2020. The proportion of Rule 36 affirmances has increased, but not steadily: It has jumped from 25% in the first half of 2019, to 59% in the second half of 2019, and back down to 45% in the first six months of 2020.

Six of the eight dismissals of petitioner appeals were due to lack of petitioner standing to appeal. A petitioner's standing was confirmed by the Federal Circuit in five appeals, all of which resulted in affirmance with a substantive opinion. Overall, a petitioner's standing withstood attacks from a patent owner-appellee 45% of the time — and such attacks avoided Rule 36 disposition 100% of the time.

The remaining two dismissals were petitioner appeals of unreviewable PTAB denials of IPR re-institution subsequent to prior remands from the Federal Circuit under *SAS Institute Inc. v. ComplementSoft LLC*.^[4]

Ultimately, petitioners-appellants prevailed in 35 appeals of PTAB patentability determinations in at least some aspect. Eleven of these petitioner appeals included a claim construction reversal. In 17 cases, the petitioner prevailed on other prior art grounds, including motivation to combine (five times), secondary indicia evidence (three times), and the prior art status of asserted art (two times).

The affirmance rate for petitioner arguments on claim construction for the last 18 months — exactly 70% — is substantially lower than the 86% affirmance rate for patent owner arguments on the same. However, chronological trends illustrate that the affirmance rate for petitioner claim constructions may be increasing and narrowing the gap. In the first half of 2019, the second half 2019, and the first half of 2020, the claim construction affirmance rate for petitioner challenges was 60%, 78% and 72% respectively.

As noted in the prior iteration of this article, given that the Federal Circuit reviews PTAB claim constructions without deference, it seems likely that the now-defunct broadest reasonable interpretation standard, which governs IPR petitions filed prior to Nov. 13, 2018, has given IPR petitioners a leg up over their patent owner adversaries.

As Federal Circuit rulings of IPRs under the *Phillips v. AWH Corp.* standard can be expected to start issuing in late 2020 or early 2021, the claim construction affirmance rate gap may be expected to continue shrinking.

There was somewhat more parity when it came to rates of rule 36 dispositions of claim construction challenges: approximately 58% of petitioner claim construction challenges were summarily resolved as opposed to 65% of patentee claim construction challenges. In the first half of 2019, the second half 2019, and the first half of 2020, 34%, 71%, and 62% of affirmances of petitioner claim construction appeals, respectively, were pursuant to Rule 36.

Petitioner-appellants also fared much better than patent owner-appellants when it came to appealing motivation to combine, the status of asserted art and objective indicia. In 10 instances, petitioners challenged the PTAB's dispositive crediting of objective indicia in nonobviousness findings. The Federal Circuit affirmed 70% of the time, and only one of seven affirmances was under Rule 36.

In 19 instances, petitioners argued that a POSITA would have been motivated to combine art. The PTAB's affirmance rate on this issue was 79%, and the Rule 36 rate for affirmances was 40%.

With respect to the prior art status of asserted references, the Federal Circuit reversed in two instances, and four challenges were rebuffed, with the court rejecting two arguments under Rule 36 and declining to substantively rule upon another because the priority date issue was only pertinent to an unappealable noninstitution decision.

However, when it came to issue of inherency, petitioner-appellants fared slightly worse than patent owner-appellants. Petitioners argued against PTAB findings of a lack of inherency twice. Each challenge was rejected in a substantive opinion.

Petitioner's procedural arguments were successful approximately one-third of the time, and only about one-third of the Federal Circuits affirmances of PTAB procedures were under Rule 36. Notably, IPRs were remanded in view of SAS five times, but such challenges were rejected by the Federal Circuit as waived in two instances and in a Rule 36 disposition in two other instances. Arthrex challenges were successful twice and denied in one instance.

And the Federal Circuit granted petitioners relief on other procedural issues relating to the PTAB's failure to properly consider petitioner's arguments or cited evidence four times out of four challenges.

In conclusion, all IPR appellants of IPR rulings should have tempered expectations on appeal. Where applicable, patent owners should favor lodging arguments regarding inventor diligence; claim construction, especially where the Phillips standard governs; real parties in interest; and Arthrex, if not already waived.

On the other hand, appellate argument regarding motivation to combine, objective indicia of nonobvious, the status of asserted references as prior art and due process issues should be avoided by patent owner-appellants in all but the most compelling factual circumstances. Additionally, patent owner-appellees should be sure to assess whether a colorable argument exists to challenge a petitioner-appellant's standing to appeal.

Petitioners who lost at the PTAB can be slightly more confident in their chances of success at the Federal Circuit — provided that they have a reasonable argument for the existence of an infringement assertion threat sufficient to confer standing. In particular, petitioners should consider arguing that the PTAB erroneously construed claim terms, made due process errors, incorrectly determined the status of the asserted art, or improperly failed to find that a POSITA would combine the prior art to arrive at the patented invention.

Given the myriad of factual scenarios, arguments, cross-appeals, and related appeals that may be collectively adjudicated in any given Federal Circuit opinion, the Federal Circuit's IPR jurisprudence does not readily or cleanly lend itself to statistical analysis. Accordingly, my conversion of approximately 300 Federal Circuit 2019 and 2020 rulings through June 30 into a data set may be considered more art than science.[5]

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[1] See <https://www.law360.com/articles/1219915/patent-owners-bear-the-brunt-of-1-line-orders-justices-told>; <https://www.law360.com/articles/1220751>; <https://www.law360.com/articles/1229562/supreme-court-rejects-10-patent-cases>.

[2] 941 F.3d 1320 (Fed. Cir. 2019).

[3] 140 S. Ct. 1367 (2020).

[4] 825 F.3d 1341 (Fed. Cir. 2016).

[5] As a general rule, all enumerated appeals within a single Federal Circuit opinion, order or Rule 36 judgment were treated as a single data point. However, I divided opinions into multiple data points where an appeal or cross-appeal focused on multiple separable issues, or where related IPRs or asserted grounds of unpatentability received disparate treatment. I also merged per curiam judgments that were exclusively decided on grounds explained in a related, substantive opinion. Additionally, appellate arguments mooted by other appellate findings or deemed unpersuasive by the Federal Circuit without substantive comment were generally excluded from the data set.