

What Statistical Analysis Reveals About Winning IPR Appeals

By **Larry Sandell** (August 8, 2019)

In deciding if and how to appeal final written decisions of the Patent Trial and Appeal Board in inter partes review proceedings, appellate attorneys look to standards of review, specific factual circumstances and key U.S. Court of Appeals for the Federal Circuit (and U.S. Supreme Court) precedent. But in doing so, they may miss the forest for the trees.

An overarching review of the over 100 Federal Circuit IPR opinions issued in 2019 (through Aug. 8) reveals statistical trends that highlight the types of arguments — from losing patent owners and losing petitioners, respectively — that are likely to succeed, likely to fail or are likely to be unceremoniously rejected in a Federal Circuit Rule 36 affirmance.[1]



Larry Sandell

As a group, patent owner-appellants fared quite poorly at the Federal Circuit, with PTAB determinations being affirmed 85% of the time, and with two thirds of these affirmances of unpatentability being made under Rule 36. Indeed, over 55% of all patent owner IPR appeals concluded pursuant to Rule 36.

Ultimately, in 2019 to date, the patent owner prevailed in a paltry 20 of 80 appeals of IPR unpatentability decisions: Five resulted from claim construction reversals; two stemmed from findings that the inventor was diligent through reduction to practice of the invention; one followed from a determination that the asserted prior art lacked a critical inherent disclosure; one resulted from a lack of substantial evidence supporting prior art teachings found by the PTAB; and one invalidating IPR was vacated because the PTAB had previously maintained the subject patent's validity over the same asserted references in another IPR.

The remaining two successes for patent owner-appellants were procedural: one set of IPRs was vacated and remanded with instructions to dismiss because the petitioner was no longer a real party in interest at the time of IPR institution, and, in another case, the PTAB's denial of the patent owner's motion to amend claims was reversed because the PTAB had erroneously placed the burden to show patentability of the proposed amended claims on the patent owner.

The highest success rates for patent-owner arguments concerned inventor diligence, where the PTAB was reversed two out of four times, and the inherency of prior art references, where the PTAB was reversed one out of two times.

Somewhat surprisingly, and despite the de novo standard of review, the Federal Circuit affirmed the PTAB's claim constructions nearly 90% of the time that they were challenged by a patent owner. Out of 44 patent owner assertions of an incorrect claim construction, the PTAB was affirmed 39 times. Moreover, 23 of these claim construction challenges — representing over half of the total — were affirmed under Rule 36.

Certain categories of patent owner appellant arguments were also observed to fail at an astoundingly high rate. In 13 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 every time; all but

one affirmance was under Rule 36.

Patent owner-appellants also fared extraordinarily poorly when it came to challenging motivation to combine, objective indicia of obviousness and the status of asserted art as prior art. All 22 challenges to a person of ordinary skill in the art's motivation were rejected, with 18 affirmances under Rule 36. All 15 attacks on the PTAB's obviousness determinations in the face of asserted objective indicia evidence were rejected, with 13 affirmances under Rule 36. And, all four attacks on prior art status were rebuffed, with two affirmances under Rule 36.

The Federal Circuit's 2019 rulings reveal that petitioners also face an uphill battle when appealing IPR final written determinations, but to a much lesser degree: Almost two-thirds of petitioner appeals were affirmed or dismissed. Of the 33 petitioner appeals in 2019 to date, 19 were affirmed, and three were dismissed for lack of standing. Only six of these affirmances — about 18% of the total petitioner appeals — were pursuant to Rule 36.

Ultimately, the petitioner prevailed in 11 of 33 appeals of PTAB patentability determinations. Seven of the 11 successful petitioner appeals included a claim construction reversal. Two resulted from a reversal in the status of the asserted prior art. And, in one case, the Federal Circuit vacated due to the PTAB's failure to consider the petitioner's express cross-incorporation of other portions of its petition in addressing particular claims.

Finally, one successful appeal was a remand for consideration on noninstituted grounds under *SAS Institute Inc. v. ComplementSoft LLC*.^[2] However, the Federal Circuit rejected remand requests under SAS in two other cases, deeming them waived in view of the petitioners' untimely raising of the issue.

Curiously, the affirmance rate for petitioner arguments on claim construction — exactly 60% — is substantially lower than the approximately 90% affirmance rate for patent-owner arguments on the same. Petitioner challenges to PTAB claim constructions were successful six out of 15 times, and only three of the nine claim construction affirmances were under Rule 36.

Given that the Federal Circuit reviews PTAB claim constructions without deference, it seems likely that the old "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. Time will tell if the PTAB's 2018 adoption of the Phillips standard for IPRs will herald an evening out of claim construction affirmance rates among patent owners and petitioners.

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. Petitioners twice argued that a person of skill in the art would have been motivated to combine art. In both instances, the Federal Circuit agreed and reversed the PTAB finding.

With respect to the status of asserted art, the Federal Circuit reversed in one instance based on the PTAB's use of an incorrect public accessibility standard, and in another by finding that the asserted art at issue was "by another." Two other challenges to prior art status were rebuffed, with the court rejecting one argument under Rule 36 and declining to address the other because a priority date issue was only pertinent to an unappealable noninstitution decision. Finally, the PTAB's dispositive crediting of objective indicia in nonobviousness findings was affirmed in four out of five challenges, with only a single affirmance under Rule 36.

In conclusion, patent owners faced with a negative PTAB determination should have tempered expectations on appeal. Where applicable, patent owners should consider arguments that the PTAB used an incorrect legal standard, erroneously construed claim terms (especially where the Phillips standard governs), improperly found certain elements expressly or inherently disclosed, or incorrectly found RPI requirements to be met. On the other hand, appellate argument regarding motivation to combine, objective indicia of nonobvious and inadequate notice or due process should be avoided by patent owner-appellants in all but the most compelling factual circumstances.

Petitioners who lost at the PTAB can be somewhat 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. Patent owners should consider arguing that the PTAB erroneously construed claim terms, incorrectly determined the status of the asserted art or improperly failed to find that a person of ordinary skill in the art would combine the prior art to arrive at the patented invention.

Larry Sandell is an attorney at Mei & Mark LLP.

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[1] 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, the author's conversion of the over 100 Federal Circuit 2019 rulings (through Aug. 8, 2019) into a data set may be considered more art than science. As a general rule, all enumerated appeals within a single Federal Circuit opinion (or Rule 36 judgment) were treated as a single data point. However, the author divided opinions into multiple data points where a cross-appeal focused on distinct issues or where related IPRs or asserted grounds of unpatentability received disparate treatment. The author 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.

[2] SAS Institute Inc. v. ComplementSoft LLC, 825 F.3d 1341 (Fed. Cir. 2016).