

6 July 2016

*Practice Group(s):**IP Litigation**Post-Grant Practice*

The Start of Something Big? PTAB Issues First PGR Final Decisions

By Jason A. Engel, Benjamin E. Weed and Stephanie J. Nelson

Post Grant Review (“PGR”) is a Patent Trial and Appeal Board (“PTAB”) proceeding established under 35 U.S.C. § 321 that permits the PTAB to review the patentability of claims in a patent based on *any grounds* under 35 U.S.C. § 282(b)(2) or (3). PGR proceedings only apply to patents filed post-American Invents Act (“AIA”) (i.e., with a priority date after March 16, 2013) and must be filed by a third party within nine months of a patent being granted or reissued.¹ 35 U.S.C. § 321. For this reason, PGR practice is still in its infancy, as many post-AIA patents are just now starting to issue.²

The PTAB issued its first two PGR Final Written Decisions on June 13, 2016, concluding that the claims of related U.S. Patent Nos. 8,725,557 (“557 Patent”) and 8,660,888 (“888 Patent”) are unpatentable on the basis of patent eligibility and obviousness. The ‘557 and ‘888 Patents are assigned to Leachman Cattle of Colorado LLC (“Patent Owner”) and were challenged by American Simmental Association (“Petitioner”). The patents generally relate to computer-implemented methods of evaluating the genetic quality and relative market value of livestock. On January 30, 2015, Petitioner filed petitions for PGR under 35 U.S.C. §§ 101, 102, and 103.³ On June 19, 2015, the PTAB instituted PGR for both patents under §§ 101 and 103 and denied PGR for both patents under § 102. Claims 1–20 of the ‘557 Patent were ultimately found unpatentable under §§ 101 and 103, and claims 1–20 of the ‘888 Patent were found unpatentable under § 101.

With regard to § 101, the nearly identical decisions follow the two-step *Alice* test to find that the claims recite the patent-ineligible abstract idea of “determining an animal’s relative economic value based on its genetic and physical traits” and further find that the claims do not recite or add anything “significantly more” than routine and conventional parts of commerce involving the abstract idea. The analysis is similar to the analysis district court decisions typically follow in applying the two-step *Alice* test, except that in determining the “abstract idea” under step one, the PTAB cited, in part, to Petitioner’s expert declaration to support the notion that “valuing an animal based on its physical traits and lineage” is indeed a fundamental concept. The citation to the expert declaration blurs the already muddled line between *Alice* step one and § 103 and suggests that at least one PTAB panel believes that an expert declaration can properly be used to support a § 101 argument. Many § 101

¹ 35 U.S.C. § 325(f) makes clear that PGR is not available for claims in a reissue patent that are identical in scope to or narrower in scope than claims of the original patent (whose nine month window has closed).

² Despite there being few patents ripe for PGR, it is likely that even fewer PGR petitions have been filed because of the broad estoppel provision under 35 U.S.C. § 325(e), which states that a Petitioner may not assert in a civil action that a “claim is invalid on any ground that the Petitioner raised or reasonably could have raised during [the] post-grant review.” Since the range of invalidity theories available in PGR is vastly broader than *inter partes* review, the estoppel that attaches is theoretically much broader as well. In addition, a PGR Petition is limited to 18,700 words and many would-be Petitioners may fear that it is impossible to raise every single possible invalidity argument in that limited amount of space. The nine-month time frame to file a petition puts further limits on establishing and vetting every possible invalidity theory.

³ The prior art cited by Petitioner to support its 35 U.S.C. §§ 102 and 103 arguments included two systems and one printed publication.

The Start of Something Big? PTAB Issues First PGR Final Decisions

decisions in the district court happen at the outset of litigation, often at the pleading stage before claim construction and any expert discovery. The PTAB's citation to the expert declaration in support of the § 101 argument may change how and when district courts decide § 101 issues, as it may signal that the PTAB believes that expert testimony is appropriate or even necessary to determine when patent claims embody an "abstract idea."

In the § 103 analysis, one of the instituted system grounds was found not to constitute prior art despite being accompanied by two declarations to corroborate that the prior art status of the system. The ground relied on an alleged prior art system called the Angus system. Petitioner provided two exhibits of screen shots of websites and two declarations to explain the Angus system. The PTAB noted that the two declarations were credible but the exhibits and the statements made in the declaration did not provide enough concrete evidence to prove that the Angus system, as presented, was available before the earliest possible priority date. These opinions may have a chilling effect for Petitioners considering raising prior art systems in the context of PGR petitions, particularly where such declarations need to be obtained within nine months of a patent's issuance. This is particularly true given that an attempt (and failure) to demonstrate that a system is prior art shows the Petitioner was at least aware of the system prior to filing the petition and thus may implicate the estoppel of 35 U.S.C. § 325 if a final written decision issues.

The PTAB still performed an obviousness analysis with respect to the remaining grounds. In the '557 Patent, the PTAB concluded that claims 1–4, 8–12, and 14–19 were obvious in view of the art. However, in the '888 Patent, the PTAB was not persuaded that any of the claims were obvious in view of the art. The PTAB noted that one of the prior art references contained disclosures of an "online" element that could have rendered some of the claim elements obvious if asserted, but the Petitioner did not assert or argue those disclosures at any point during the proceeding.⁴ The PTAB ultimately found that the Petitioner did not meet its burden of proving unpatentability absent the assertion that the reference contained the "online" element and ultimately did not find any of the claims of the '888 Patent unpatentable under 35 U.S.C. § 103.

Finally, in both cases, the Patent Owner filed Motions to Amend to enter substitute claims if any of the independent claims were determined to be unpatentable. The PTAB stated that the Patent Owner has the burden to show that the substitute claims overcome all of the grounds under which the independent claims were determined to be unpatentable and that it must meet all of the procedural requirements. The PTAB determined that the subject matter of the substitute claims in both cases was not patent eligible under 35 U.S.C. § 101.⁵ The PTAB further noted that the Patent Owner also failed to meet important procedural requirements in its Motion to Amend. First, in the '557 Patent, Petitioner argued that the Patent Owner did not properly construe new claim terms. The PTAB agreed stating "[a]lthough we are cognizant that a patent specification does not need to recite word-for-word

⁴ A recent Federal Circuit decision has established that a Petitioner is not limited to arguments in the Petition. A Petitioner may bring new arguments in the reply as long as the Patent Owner has an opportunity to defend those arguments. See *Genzyme Therapeutic Prods Ltd., v. Biomarin Parm. Inc.*, 2016 WL 3254734 (Fed. Cir. June 14, 2016).

⁵ The PTAB stated that in the Motion to Amend, the Patent Owner has the burden of showing that the substitute claims overcome all grounds under which the independent claims were determined to be unpatentable. A study released by the United States Patent and Trademark Office shows that substitute claims filed in Motions to Amend can be found unpatentable for any statutory reason. See <http://www.uspto.gov/sites/default/files/documents/2016-04-30%20PTAB%20MTA%20study.pdf>.

The Start of Something Big? PTAB Issues First PGR Final Decisions

a claim limitation, when there is no clear relationship between claim language and the patent specification, it is incumbent on Patent Owner to provide either a claim construction, or explanation.” Second, in the ‘888 Patent, the Patent Owner failed to meet another procedural requirement and provided substitute claims with some of the original claim language removed. The PTAB noted that there is a “natural inference [] that removal of claim language is broadening” and that the Patent Owner must explain the justification for removal. The Patent Owner failed to explain or justify the removal in its Motion to Amend.

Table 1, below, is a summary of all PGR petitions that have received institution decisions. Notably, many petitioners are taking advantage of the opportunity to challenge patents under §§ 101 and 112. Only one petition was not instituted under at least one ground.

Table 1. Review of PGRs with Institution Decisions

Case	Ground	Result	Order Filing Date	Technology	Patent
PGR2015-00005	103	Granted	6/19/2015	Software	8,725,557
	102	Denied			
	101	Granted			
PGR2015-00003	103	Granted	6/19/2015	Software	8,660,888
	102	Denied			
	101	Granted			
PGR2015-00009	103	Denied	8/4/2015	Software	8,756,166
	102	Denied			
	101	Granted			
PGR2015-00011	112 (2)	Denied	11/16/2015	Pharmaceutical	8,859,623
	103	Granted			
	102	Denied			
PGR2015-00014	103	Granted	12/2/2015	Computer/Software	8,929,525
	102	Denied			
	101	Denied			
PGR2015-00013	103	Granted	12/8/2015	Computer/Software	8,855,280
	101	Denied			
	112 (2)	Denied			
PGR2015-00017	Enable 112 (1)	Denied	12/22/2015	Medical Device	8,933,395
	103	Granted			
	102	Granted			
	112 (2)	Granted			
PGR2015-00018	112 (2)	Granted	1/4/2016	Mechanical Device	9,051,066
	Writ. Desc. 112 (1)	Denied			
	Enable 112 (1)	Denied			
	103	Granted			
PGR2015-00019	Writ. Desc. 112 (1)	Granted	1/29/2016	Medical Device/method	8,876,991
	Enable 112 (1)	Granted			
	(claim 15) 103	Granted			
	(clms 12-14, 16) 103	Denied			
PGR2015-00022	102	Granted	2/19/2016	Lighting Device	8,882,292
	(clms 1-9, 16-20) 103	Granted			
	(clms 10-15) 103	Denied			
PGR2015-00023	101	Denied	2/22/2016	Software	8,876,638
PGR2016-00002	Writ. Desc. 112 (1)	Granted	6/1/2016	Biology/method	9,126,245
	Enable 112 (1)	Denied			
	103	Denied			
	101	Denied			

The Start of Something Big? PTAB Issues First PGR Final Decisions

In conclusion, the PGR process is an effective and efficient way to challenge an eligible patent under grounds not available in other types of PTAB proceedings. It is also an opportunity to bring system art in front of the PTAB, although the first two PGR final decisions show that a finding that a system is in fact prior art is not a foregone conclusion. If a Petitioner has a solid invalidity argument with good evidentiary support, a PGR may allow recently-issued patents to be reassessed prior to litigation even being filed. However, where litigation is likely, the present estoppel provisions may deter Petitioners from filing PGRs before doing a full, litigation-style invalidity analysis. Both Petitioners and Patent Owners need to be thorough and procedurally sound, and if a Petitioner is willing to risk the estoppel provisions of 35 U.S.C. § 325(e), it may save a lot of time and money in the future.

Cases: PGR2015-00003 Paper 56; PGR2015-00005 Paper 52

Authors:

Jason A. Engel

jason.engel@klgates.com
+1.312.807.4236

Benjamin E. Weed

benjamin.weed@klgates.com
+1.312.781.7166

Stephanie J. Nelson

Stephanie.Nelson@klgates.com
+1.312.807.4362

K&L GATES

Anchorage Austin Beijing Berlin Boston Brisbane Brussels Charleston Charlotte Chicago Dallas Doha Dubai
Fort Worth Frankfurt Harrisburg Hong Kong Houston London Los Angeles Melbourne Miami Milan Newark New York
Orange County Palo Alto Paris Perth Pittsburgh Portland Raleigh Research Triangle Park San Francisco São Paulo Seattle
Seoul Shanghai Singapore Sydney Taipei Tokyo Warsaw Washington, D.C. Wilmington

K&L Gates comprises approximately 2,000 lawyers globally who practice in fully integrated offices located on five continents. The firm represents leading multinational corporations, growth and middle-market companies, capital markets participants and entrepreneurs in every major industry group as well as public sector entities, educational institutions, philanthropic organizations and individuals. For more information about K&L Gates or its locations, practices and registrations, visit www.klgates.com.

This publication is for informational purposes and does not contain or convey legal advice. The information herein should not be used or relied upon in regard to any particular facts or circumstances without first consulting a lawyer.

© 2016 K&L Gates LLP. All Rights Reserved.