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## At PTAB, Make Sure To Get It Right The 1st Time

Law360, New York (January 5, 2015, 10:17 AM ET) -- Two recent orders by the U.S. Patent and Trademark Office's Patent Trial and Appeal Board emphasize how important it is (as Billy Joel importuned) for a petitioner before the PTAB to get it right the first time.

The standard for institution of a covered business method review or inter partes review is whether the information presented in the petition demonstrates "that it is more likely than not that" a challenged claim is unpatentable. But the final decision on institution is a nonappealable one; and one that is left to the discretion of the PTAB. In two recent institution orders, the PTAB exercised its discretion muscle in determining when the institution standard is met in the context of petitions that are based on prior art and/or arguments that have been previously before the USPTO. The PTAB has also demonstrated how its statutory mission to conduct proceeding under the America Invents Act quickly, efficiently and economically, colors many of its decisions.



Paul Devinsky

In one case, involving a patent directed to an automated system for handling undeliverable mail, *United States Postal Service v. Return Mail Inc.*, CBM 2014-00116 (PTAB, Oct. 16, 2014) (Turner, APJ), the PTAB granted institution over the patent owner's argument that the same or similar prior art was considered in an earlier proceeding. An important factor in that case was the intervening U.S. Supreme Court decision in *Alice Corp. v CLS Bank International*.

In a second case, involving patent claims directed to an anti-dandruff shampoo, *Conopco Inc. (Unilever) v. The Proctor & Gamble Co.*, IPR 2014-00628 (PTAB, Oct. 20, 2014) (Obermann, APJ), the PTAB denied institution based on a corrected petition, noting that the prior art and arguments raised were "substantially the same" as those presented in an earlier (unsuccessful) petition. *Conopco Inc. (Unilever) v. The Proctor & Gamble Co.*, IPR 2014-00628 (PTAB, Oct. 20, 2014) (Obermann, APJ). In that case the PTAB noted its "broad discretion" to deny a petition based on previously presented prior art or arguments.

In the U.S. Postal Service case, the PTAB rejected the patent owner's argument that the petition should be denied because the same or similar prior art references were submitted in an earlier proceeding. The patent in question had been subject to reissue (that resulted in all new claims) and to a sua sponte PTO re-examination. The patent owner argued that "four of the five prior art references that [petitioner] USPS has submitted in this proceeding were submitted and considered by the Office" during the prior reexamination proceeding, and that the petitioner had already tried, unsuccessfully, to invalidate the ... patent and should not be permitted to waste more resources trying again."

The PTAB took note of the burden on the patent owner and the PTAB to rehear the same or

substantially the same prior art or arguments from the prior re-examination but found “sufficient reasons in this proceeding to exercise our discretion to institute a covered business method patent review.” In doing so, the PTAB pointed out that “not all of the art proffered has been considered previously in the reexamination or reissue proceedings,” and that there were “additional grounds that can be considered in a covered business method patent review, as well some ... that cannot be considered, as compared with the prior reissue or reexamination proceedings.” The “additional grounds” reflects the PTAB’s determination that in connection with CBM review, a “covered business method patent” may be one that “claims a method or apparatus for performing data processing ... used in the practice, administration or management of a financial product or service.” Thus, the PTAB concluded that the patent eligible subject matter challenge under Alice justified another review of the subject patent.

In the Conopco (Unilever) case, the PTAB denied institution of a “corrected” petition for IPR, finding that it raised similar arguments to an earlier petition. Thirteen pieces of prior art were cited in the later petition, six of which had been raised in the previous proceeding. The board noted that the petition provided no indication that the seven newly cited references were unavailable or not known to petitioner at the time of the first petition and that all of the asserted grounds of obviousness were based primarily on art cited in the earlier petition. It then concluded:

Based on the particular circumstances presented in this case, we decline to institute review. ... We have compared the prior art and arguments raised in the instant Petition to those raised in [the earlier] Petition. Based on the information presented, we are persuaded that the instant Petition raises, at minimum, “substantially the same ... arguments” that “previously were presented to the Office” in the [earlier] Petition. ... On this record, the interests of fairness, economy, and efficiency support declining review — a result that discourages the filing of a first petition that holds back prior art for use in successive attacks, should the first petition be denied. ... Based on the circumstances before us, therefore, we exercise our discretion and decline to institute review.[1]

The key takeaways from these two proceeding are that while certain circumstances, such as a change in the law as a consequence of, e.g., a Supreme Court decision or an en banc Federal Circuit decision, may justify institution based on a successive petition (or proceeding), patching in additional prior art to fill voids exposed in an earlier petition does not.

As the PTAB has noted on several occasions, § 325(d) allows the board to reject a petitioner that raises the same or substantially the same prior art or argument previously presented to the office; and that while it may institute a proceeding when a petition satisfies the condition of § 314(a), institution is not mandatory.[2] To complicate matters, the Federal Circuit, in a trio of decisions issued on the same day (April 24, 2014) has now confirmed that under § 314(d), the PTO’s denial (or grant) of a petition is not appealable. *St. Jude v. Volcano Corp.*, (where the PTO deemed a petition as time barred); *In re Dominion Dealer Solutions LLC* (where the PTO deemed institution on a failure to meet the threshold showing of “a reasonable likelihood of prevailing” on at least one of the asserted grounds); *In re Proctor & Gamble Co.*, (denying mandamus to a patent holder upset over the board’s decision in favor of institution).

In a slightly more recent case, the Federal Circuit in *Zoll Lifecor v. Philips Electronics No. Amer.*, (IP Update, Vol. 17, No. 9) explained that it only has jurisdiction to hear an appeal from a final written decision of the board and that § 314(d) contains a “broadly worded bar on appeal” from institution decisions. Inasmuch as PTAB institution decisions are both discretionary and not appealable (and considering there have been no successful requests for reconsideration of noninstitution decisions), the emerging best practice is that petitioners are advised to put their best art forward when filing a petition. As the venerable

Billy Joel has sagely advised:

... get it right the first time  
That's the main thing  
... can't afford to let it pass  
... get it right the next time that's not the same thing  
Gonna have to make the first time last.

—By Paul Devinsky, McDermott Will & Emery LLP

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[1] In another set of IPRs involving the same two parties (IPR 2014-00506; 00507) the PTAB, on December 10, 2014, denied Conopco's request for reconsideration of a non-institution decision on a second petition, explaining that its decision denying institution was based on "the particular facts surrounding Unilver's second petition" and the exercise of its discretion "under the circumstances" based on the authority granted by its governing statute, 35 U.S.C. § 325(d). Paper No. 25 at 3-4.

[2] Earlier this year, the Board designated seven non-institutions as "informative" (IP Update, Vol. 17, No. 10) clearly announcing to the A.I.A. post issuance proceedings bar that "in determining whether to institute or order a proceeding under ... chapter 31, the Director may take into account whether, and reject the petition or request because, the same or substantially the same prior art arguments [were] previously presented to the Office."

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