

## Reading The Tea Leaves Of PTAB's Motion To Amend Study

By **Bob Steinberg, Jonathan Strang and Lesley Hamming**

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The Patent Trial and Appeal Board's latest installment of its study on motions to amend[1] offers a glimpse of the impact of its pilot program, which was ostensibly created to "enhance the effectiveness and fairness"[2] of the PTAB's procedures for moving to amend claims.

In March 2019, the PTAB launched the pilot program with new procedural options including allowing patent owners to receive preliminary, nonbinding feedback from the board and the ability to file a revised motion to amend following the preliminary guidance.[3] Patent owners were hopeful that these new options would increase the success rate of amending patent claims, which through September 2018 was a mere 10%.[4]

The preliminary guidance issued in the last year contains two main sections. The first section addresses whether there is a reasonable likelihood that the motion to amend meets statutory and regulatory requirements, such as whether it appropriately proposes a reasonable number of substitute claims[5] — generally one substitute claim per original challenged claim — and whether it appropriately responds to a ground of unpatentability involved in the trial.[6]

The second section provides an initial, nonbinding discussion as to whether the petitioner or the record establishes a reasonable likelihood that the substitute claims are unpatentable. For this section, the board can consider not only whether the proposed amended claims are unpatentable via anticipation or obviousness, but also any other invalidity ground, such as patent eligibility under Title 35 of the U.S. Code, Section 101, and indefiniteness under Title 35 of the U.S. Code, Section 112.[7]

These latter unpatentability grounds are not permitted as bases for evaluation of the original patent claims in inter partes review proceedings. This means that a patent owner must overcome additional hurdles for amending claims as compared to maintaining the original patent claims.

In addition to reviewing the PTAB's study, we collected and analyzed all motions to amend since the



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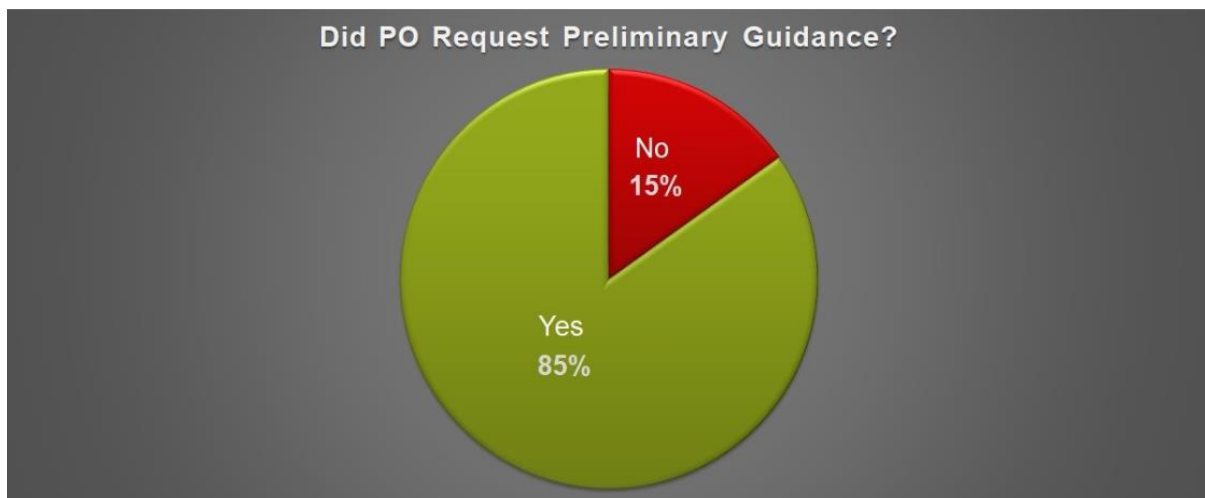
beginning of the pilot program in March 2019 through May 31, 2020, and identified trends in the following areas: (1) whether patent owners opted to receive preliminary guidance, (2) the preliminary guidance results, and (3) patent owners' strategies following preliminary guidance. Our analysis includes two additional months of data compared with the PTAB's study, which only collected data through March 2020.

We also assessed the board's final decisions on motions to amend through July 22. Our main takeaway is that the pilot program has yielded slightly greater success for patent owners than in the prepilot program era, but more time is needed to have a statistically accurate picture. We have identified some strategic reasons to proceed cautiously under the pilot program after analyzing the data from the PTAB and from our own analysis of motion to amend decisions over the past year.

### Insights From Data

#### ***The majority of patent owners opted for preliminary guidance.***

Our data demonstrated that approximately 85% of patent owners opted to receive preliminary guidance from the PTAB through May 31. There are strategic reasons why the majority of patent owners chose to obtain preliminary guidance. Opting for preliminary guidance allows patent owners to obtain early feedback as to the likelihood of success of their motion to amend. They can then decide to amend the claims a second time based on the preliminary guidance.



On the other hand, the 15% that chose to forgo this option may have wished to avoid the possibility of an early "preliminary loss," particularly if there is a parallel district court case with a pending stay motion or open prosecution on related patent applications. Patent owners may also view their chances of obtaining helpful feedback from preliminary guidance as slim because it is issued before patent owners have had a chance to respond to a petitioner's opposition to the motion to amend. Still other patent owners may seek to avoid further crowding an already-busy schedule.

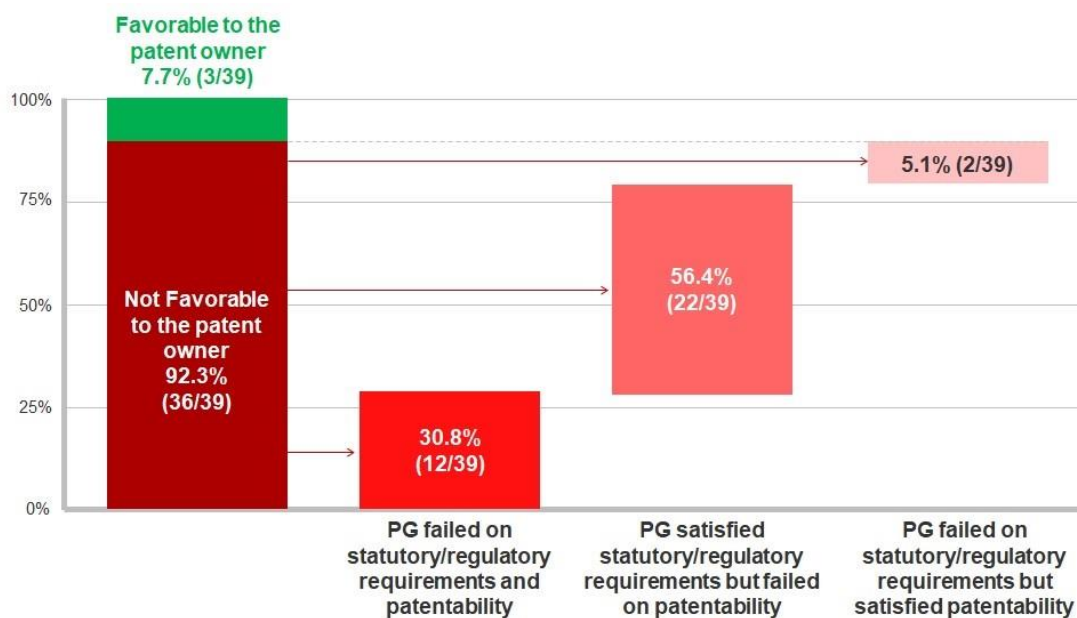
#### ***The majority of preliminary guidance opinions rejected the proposed amended claims on patentability grounds.***

For patent owners that elected to receive preliminary guidance, the board virtually always rejected the proposed claims at the preliminary guidance stage. Out of all preliminary guidance decisions issued by

May 31, the board found unfavorably for the patent owner 92.3% of the time. Specifically, and as shown in the graphic below, the data showed that:

- For 30.8% of the preliminary guidance provided, the board determined that the patent owner failed to satisfy the statutory or regulatory requirements and petitioner or the record showed that all the proposed substitute claims were likely unpatentable.
- In 56.4% of the preliminary guidance provided, the board determined that the patent owner satisfied the statutory and regulatory requirements, but that the petitioner or the record showed that all the proposed substitute claims were likely unpatentable.
- In 5.1% of the preliminary guidance provided, the board determined that the patent owner failed to satisfy the statutory or regulatory requirements for all proposed substitute claims, but that there was not a showing that the proposed substitute claims were unpatentable on the record thus far.
- The preliminary guidance was fully favorable to patent owners only 7.7% of the time.

#### Preliminary Guidance Outcomes (March 15, 2019 – May 31, 2020)



Several possibilities exist for this high rate of claim amendment rejection. Patent owners may be taking overly aggressive positions with their first motion to amend knowing that they are entitled under the pilot program to file a revised motion to amend if necessary.

However, the low rate of 7.7% favorable decisions largely mirrors the historical success rate for motions to amend of 10% through September 2018,[8] which raises the question of whether low success rates are systemic. Although this statistic may remain consistent at the preliminary guidance stage, it will be

important to see if the final written decisions following the preliminary guidance and revised motions will yield any greater success for patent owners, or whether the rates will continue to mirror the historical success rate.

### **Most patent owners opted to file a revised motion to amend following preliminary guidance.**

After they received preliminary guidance, the majority of patent owners — 69% — filed revised motions to amend through May 31. The high percentage that opted for a revised motion to amend mirrors the high percentage of patent owners that received unfavorable feedback from the board in the preliminary guidance.

This option affords patent owners the opportunity to either submit modified amended claims or provide additional arguments for their prior proposed amended claims in an attempt to overcome the deficiencies identified in the preliminary guidance.

Another 20% of patent owners opted to file a reply to the preliminary guidance wherein they maintained their original proposed amended claims but sought to reply to the board's assessments in the preliminary guidance.

This option is attractive to patent owners that believe they can persuade the board with additional arguments or that believe the board made a correctable mistake in its analysis. Patent owners that receive generally favorable preliminary guidance may also pursue a reply in order to address any questions or misperceptions by the board.

A mere 3% of patent owners opted to file nothing after receiving preliminary guidance and allow the petitioner to file a reply first. This option is attractive to patent owners that receive favorable guidance from the board at the preliminary guidance stage because under this option, the pilot program allows patent owners to have the last word by filing a surreply following petitioner's reply.

Another 8% of patent owners either withdrew their motion to amend or otherwise settled the case after they received preliminary guidance. Notably, patent owners have broad leeway to withdraw a motion to amend even after they receive preliminary guidance.[9] In *Henrob Ltd. v. Newfrey*, the board allowed the withdrawal of a noncontingent motion to amend explaining that withdrawal was "contemplated in the MTA Pilot Program" and "will not cause any undue prejudice to Petitioner." [10]

### **Key Insights From Recent Final Written Decisions**

The first final decisions for motions to amend that proceeded under the pilot program have only recently occurred. As of July 22, 11 motions to amend following preliminary guidance had reached a final written decision. Of those 11 motions, the board granted the motion in part in only two.[11] This represents a current success rate for patent owners of 18.2%. Clearly, with only 11 motions having reached a final decision, at this stage the statistical sampling is not significant enough to predict trends.

*KOA Corp. v. Vishay Dale Electronics* — one of the two successful cases for a patent owner so far — demonstrates the benefit of preliminary guidance to the patent owner in identifying weak areas of the original motion that the patent owner could ameliorate following preliminary guidance.

In *KOA Corp.*, the board viewed the patent owner's proposed amendment unfavorably in its preliminary guidance.[12] The patent owner elected not to file a revised motion to amend as it could have done

under the pilot program, but instead chose to file a reply to explain why the proposed amendment imparted sufficient structural differences over electrical resistors in the prior art.[13]

It remains to be seen whether the availability of preliminary guidance and revised motions to amend will materially affect the success rate for patent owners in amending claims in the long run.

### **Strategic Considerations**

Patent owners should consider filing a motion to amend if there are strategic reasons for doing so. For example, filing a motion to amend could add to the patent owner's settlement leverage and serve as backup insurance in case the patent owner fails to succeed in the proceeding with the original claims.

This is particularly attractive if the patent owner has no open patent applications for continuing prosecution and separately amending the claims. Preliminary guidance could also provide early insights from the board as to its view of the case, which could help the patent owner steer its arguments to the areas deemed weak by the board.

This opportunity for the patent owner to get an early window into the board's thinking is especially attractive because there is generally no penalty for withdrawing the motion to amend after preliminary guidance is received.

There are risks and burdens for filing a motion to amend that patent owners should carefully consider before filing. The time and expense associated with the additional briefing and expert testimony involved in a motion to amend, particularly with a revised motion to amend, could double the costs for the patent owner. Just as problematic, unfavorable preliminary guidance could be used against the patent owner in a parallel district court proceeding and may affect whether the court grants a stay of the litigation.

And while inter partes review of the issued claims addresses invalidity only over prior-art printed publications, with a motion to amend patent owners will face a motivated petitioner that may attack the proposed amended claims under any statutory grounds, including patentable subject matter, enablement and written description.[14]

Whether the petitioner will be estopped from raising all of these statutory grounds against successfully amended claims in district court is not yet clear.[15] Patent owners may also fear the perception that a motion to amend may send a signal to the board that the original claims are potentially weak.

For all these reasons, a patent owner that has a pending continuation application may wish to seek the desired claim amendments through that avenue. Continuations are ex parte, which means the patent owner will not be confronting a motivated opponent. Those proceedings will incur a lower cost and proceed in a more flexible and manageable timeline. Under an accelerated prosecution program, such as Track One, a patent owner might even obtain allowance of its new claims less than one year after filing and have issued claims a few months after that.[16]

Even if a patent owner does not have an open application with which to pursue continuation applications, it may consider seeking new claims through a reissue or reexamination proceeding. Requests for reissue[17] and reexaminations may be filed even after a final written decision in a PTAB proceeding before an appeal is resolved, giving a patent owner an alternative to a motion to amend at a late stage.

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[1] Patent Trial and Appeal Board Motion to Amend Study, Installment 6: Update through March 31, 2020.

[2] 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 (Oct. 29, 2018), 83 Fed. Reg. 54319, 54322 (Oct. 29, 2018).

[3] Notice Regarding a New Pilot Program Concerning Motion to Amend Practice and Procedures in Trial Proceedings under the America Invents Act before the Patent Trial and Appeal Board, 84 Fed. Reg. 9497 (Mar. 15, 2019).

[4] Through September 2018, fewer than 10% of all PTAB trials included a motion to amend. Of all motions decided, only 4% of the motions were fully successful and another 6% were granted in part. Patent Trial and Appeal Board Motion to Amend Study, Installment 5: Update through September 30, 2018, at slide 7.

[5] 35 U.S.C. §316(d)(1)(B).

[6] 37 C.F.R. §42.121(a)(2)(i). Other statutory and regulatory requirements in 35 U.S.C. §316(d)(3) and 37 C.F.R. §42.121(a)(2)(ii).

[7] A recent precedential opinion explains that a patent owner will generally face only the evidence and arguments raised by a petitioner, but that the Board may, in rare circumstances, sua sponte raise a ground of unpatentability against proposed substitute claims in a motion to amend. See *Hunting Titan, Inc. v. DynaEnergetics Europe GmbH*, IPR2018-00600, Paper 67, at 11 (PTAB July 6, 2020) (precedential).

[8] Patent Trial and Appeal Board Motion to Amend Study, Installment 5: Update through September 30, 2018.

[9] Notice Regarding a New Pilot Program Concerning Motion to Amend Practice and Procedures in Trial Proceedings under the America Invents Act before the Patent Trial and Appeal Board, 84 Fed. Reg. 9497, 9500-02 (Mar. 15, 2019) ("A patent owner also may choose to withdraw its initial MTA. In this circumstance, no further briefing is authorized, and the Board will not address the MTA in a final written decision.").

[10] *Henrob Ltd. v. Newfrey*, IPR2019-00269, Paper 23 at 3 (PTAB Dec. 17, 2019).

[11] *KOA Corporation v. Vishay Dale Electronics*, IPR2019-00201, Paper 30 (PTAB May 7, 2020); *Smartmatic USA Corp. v. Election Systems & Software, LLC*, IPR2019-00531 (Paper 40 July 17, 2020).

[12] *KOA Corporation*, IPR2019-00201, Paper 21 at 5-6 (PTAB Nov. 14, 2019).

[13] See *id.* Paper 23.

[14] The Federal Circuit ruled this month that the PTAB can assess proposed amended claims under patent ineligibility under 35 U.S.C. § 101 as well as "other invalidity issues." See *Uniloc 2017 LLC v. Hulu, LLC*, No. 2019-1686, 2020 WL 4197750, at \*7 (Fed. Cir. July 22, 2020). Judge O'Malley dissented, arguing that opening proposed substitute claims to an examination equivalent to that undertaken during patent prosecution is inefficient. *Id.* \*15.

[15] Whether amended claims are subject to the estoppels of 35 U.S.C. § 315(e) and the scope of any such estoppels has not yet been litigated.

[16] See M.P.E.P. § 708.02(b) and consult your patent counsel for more details.

[17] 35 U.S.C. § 251. Must show patent has an "error" rendering patent "wholly or partly inoperative or invalid," which can be the PO's failure to previously present narrower claims. See *In re Tanaka*, 640 F.3d 1246, 1251 (Fed. Cir. 2011).