

Obviousness: What's New and Nonobvious?

Presented at the Advanced Patent Law Institute
Palo Alto, California
December 11-12, 2014
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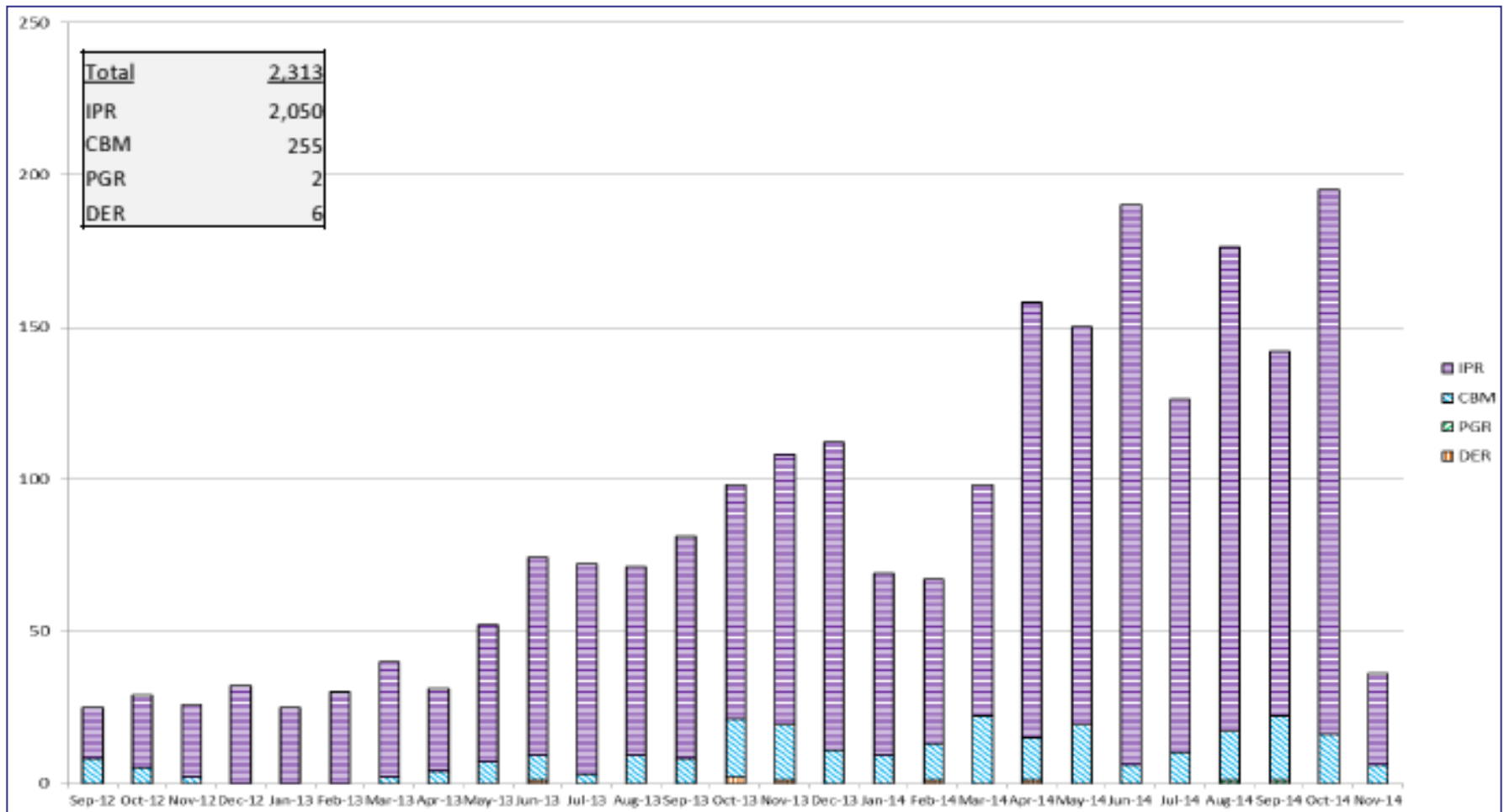
Obviousness Challenges

- Procedural choice: PTO v. District Court/ITC
- Who's winning, and where?
- Litigation impact of IPR denials
- Developments in substantive law:
 - Proving common sense (*K/S Himpp*)
 - Relying on post-filing evidence of unexpected results (*BMS*)
 - Deference to jury verdict (*InTouch*)

The New Path: IPR/CBM

- *Inter Partes* Review / Covered Business Method proceedings began in 2012 pursuant to America Invents Act.
- Significant body of law now emerging
- For cases that proceed to final decision, vast majority of challenged claims are invalidated on obviousness and/or anticipation.
- PTO challenges are highly favored in the “tech” industry; few IPRs in the pharma industry
- Rapid escalation of number of petitions filed

Number of AIA Petitions

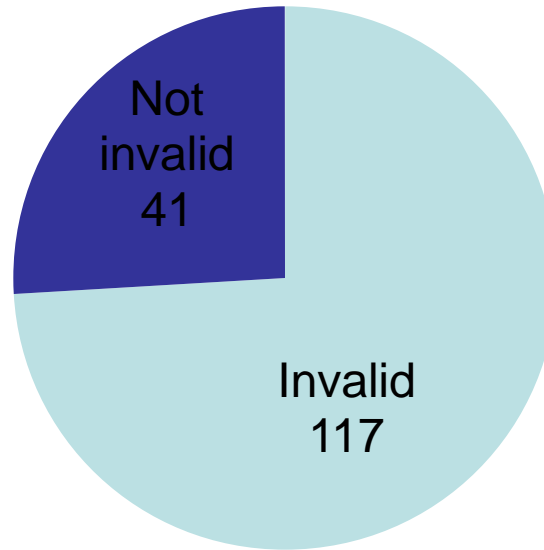


PTO workload way up

*For fiscal year 2015 through November 6, 2014

http://www.uspto.gov/ip/boards/bpai/stats/110614_aia_stat_graph.pdf

IPR: Final Merits Decisions



- Final decisions since December 1, 2013
- 117 of 158 cases in past year resulted in all claims invalid
- “Not Invalid” means at least one claim survived

IPR Overall Statistics

14,396 Claims in 436 Petitions

6,186 Claims Challenged
(436 Petitions)

8,210 Claims Not Challenged

4,173 Claims Instituted
(67% of Claims Challenged)
(296 Petitions)

2,013 Claims
Challenged
but Not
Instituted
(33% of Claims
Challenged)

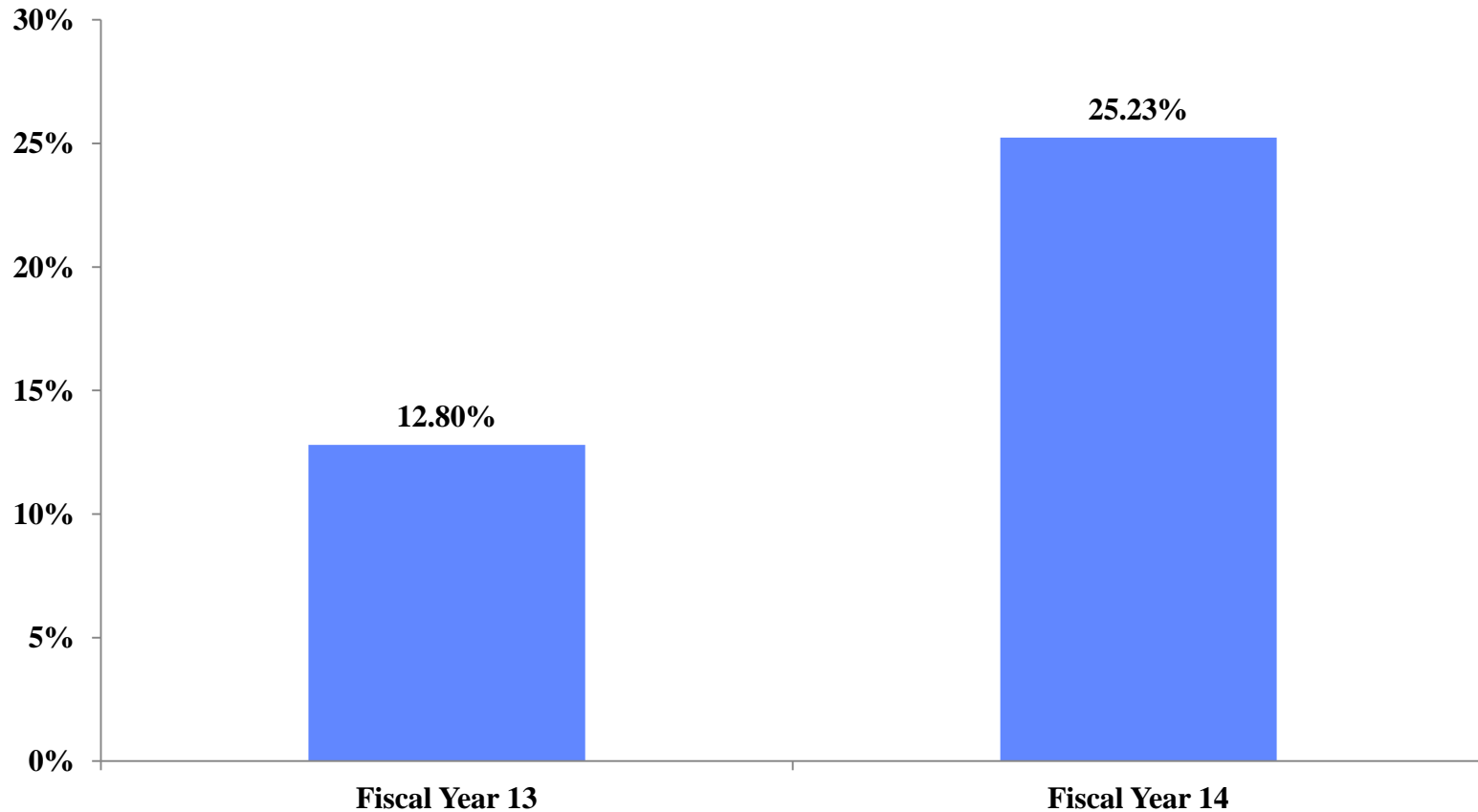
1,415 Claims Found
Unpatentable
(34% of Claims Instituted,
23% of Claims Challenged)
(119 Petitions)

677 Claims Cancelled or Disclaimed (Non-PTAB)
(16% of Claims Instituted, 11% of Claims Challenged)

2,081 Claims Patentable
(50% of Claims Instituted, 33% of Claims Challenged)

Source: uspto.gov (IPR petitions terminated to date (as of 10/16/2014))

IPR Institution Denials: Doubled



Denial rate increasing as PTO workload goes up

http://www.uspto.gov/ip/boards/bpai/stats/aia_statistics_11_06_2014.pdf

Litigation Risk: Denial of IPR Petition

If IPR not instituted, patentee may argue to court:

- PTAB threshold low: reasonable likelihood that the petitioner would prevail with respect to at least one claim challenged
- Litigation invalidity standard higher: clear and convincing
- “Experts” in PTO found no problem even under low standard
- Thus, patent must not be invalid

Defendant:

- Move *in limine* to exclude as highly prejudicial

Key evidentiary motion likely decided on eve of trial

Ruling: Allow Argument to Jury

3.3 Defendant's MIL No. 3, To Exclude Evidence Concerning the Proceedings Before and Decision by the U.S. Patent and Trademark Office Regarding URC's *Inter Partes* Review Petition Against the '906 Patent

Defendant argues that introducing evidence of the PTO's rejection of Defendant's *inter partes* review petition would be irrelevant because the legal standards applicable to an *inter partes* review are different than those that apply here, and that it would increase the complexity of the trial and confuse the jury. (Dkt. No. 280 3-4.)

Any potential confusion can be addressed by appropriate jury instructions on the standard of proof applicable to patent invalidity defenses and counterclaims. The motion is **DENIED**.

Universal Electronics Inc. v. Universal Remote Control Inc., 8:12-cv-00329 (CACD April 21, 2014, Order) (Guilford, J.)

Patentee's Opening Jury Statement after PTO Declined to Institute IPR

17 That's what they did, and they are entitled to do
18 that. They asked the Patent Office to invalidate the
19 patent. And guess what happened here. We got three patent
20 judges this time. These aren't just the examiners. These
21 are patent lawyers with a degree in science or engineering
22 and extensive training in patent law, practical training and
23 academic training. They looked at URC's request and they
24 said: Your request is not well taken. And those are the
25 three judges who reviewed URC's request. And after looking

1 all of the arguments that URC made, these three patent
2 judges said URC's request for inter partes review is denied
3 as to all of the claims, all of the challenged claims. And
4 those are claims 1, 10, and 12. And those are the very
5 claims that URC is saying today are invalid.

Ouch! But patentee still lost.

8:12-cv-00329-AG-JPR (Dkt. 416)

Budget for IPR: Front Loaded

Early

- Filing Fee: ~ \$23 – 50K per patent (often multiple patents)
- Thorough prior art search ~ \$10 – 30K
- Prepare petition: ~ \$50 – 150K
- Expert: ~ \$20 – 50K
- Possibility of multiple petitions

Mid

- Discovery: ~ \$25 – 100K

Late

- Trial: ~ \$50 – 150K

Appeal from PTO (Adversarial)

	Valid at PTO	Invalid at PTO
Valid/Remanded on Appeal	<i>K/S Himpp</i>	<i>Institut Pasteur Patel</i>
Invalid on Appeal	<i>Taylor Made K-Swiss Q.I. Press Cisco</i>	<i>Teles Scientific Plastic Arlington Enhanced Security Index Systems</i>

- **Reported decisions since Dec. 1, 2013**
- **From *ex parte* and *inter partes* reexams**

Federal Circuit furthering obviousness findings

Appeal from District Court/ITC

Appeals of Summary Judgment of Obviousness

Summary Judgment of Obviousness AFFIRMED:

- *Hoffmann-La Roche v. Apotex* (D.N.J.)
 - Claimed once-monthly dosing frequency established in prior art
 - Amount of dose suggested by prior art
 - Objective evidence “does not rise to the level of a mere scintilla”
 - Reasonable expectation of success, no teaching away, nor unexpected results

Summary Judgment of Obviousness VACATED:

- *Malico v. Cooler Master* (N.D. Cal.)
 - Vacate SJ of obviousness for lack of particularized findings by district court comparing prior art to multiple claim limitation

Summary Judgment of Obviousness Remains Achievable

Appeal from District Court/ITC

Rulings by Fact-Finder (bench trial or jury). P=Pharma

	Valid Below	Invalid Below
Valid/Remanded on Appeal	Braintree (P) Ferring (P) Halo Motorola Pfizer (P) SSL Services Sanofi (P) Suprema Warner Chilcott (P)	InTouch Par Pharma (P)
Invalid on Appeal	Allergan (P) Galderma (P) I/P Engine Tyco	Abbvie (P) Bristol-Myers (P)

Substantive Legal Framework

Factual underpinnings of obviousness:

1. The scope and content of the prior art;
2. The differences between the prior art and the claims at issue;
3. The level of ordinary skill in the field of the invention;
4. Relevant secondary considerations, including:
 - Long-felt but unsolved needs;
 - Commercial success
 - Failure of others
 - Unexpected results

The prior art is analyzed in context, taking into account the demands of the design community, the background knowledge possessed by a person having ordinary skill in the art, and the inferences and creative steps that such person would employ (*KSR*)

Proving Common Sense

How much does “common sense” have to be documented?

K/S Himpp v. Hear-Wear Technologies (CAFC)

- Case concerned hearing device, with multi-pronged plug
- No documentary evidence that multi-pronged plugs were common
- CAFC: “the Board cannot accept general conclusions about what is ‘basic knowledge’ or ‘common sense’ as a replacement for documentary evidence for core factual findings”
- Dissent (Dyk, J.): “the majority holds that the examiner could not resort to the common knowledge of one skilled in the art, but rather was confined to considering only the evidence of record”

Lesson: bulk up record with background knowledge

Using Post-Filing Evidence

Bristol-Myers Squibb v. Teva (CAFC)

- Invalidated new chemical entity patent, which added single carbon atom to lead compound
- Hepatitis B properties learned 4 years after filing date
- CAFC: “To be particularly probative, evidence of unexpected results must establish that there is a difference between the results obtained and those of the closest prior art, and that the difference would not have been expected by one of ordinary skill in the art at the time of the invention.”
- On rehearing petition:
 - Dyk, J: post-filing evidence off-bounds
 - O’Malley, J: post-filing evidence is allowable

Deference to Jury Verdict

InTouch Technologies v. VGO Communications (CAFC)

- Robotics case, with expert testimony as to why skilled artisan would combine references of different robots
- Jury verdict of obviousness
- CAFC: overrule verdict, uphold patent, because evidence not enough to support obviousness finding. Defendant's expert failed to identify sufficient motivations to combine references, to focus on right time frame, or consider any objective evidence.
- “Dr. Yanco’s testimony was nothing more than impermissible hindsight; she opined that all of the elements disparately existed in the prior art, but failed to provide the glue to combine [them]”

Build a record: connect the dots, address objective evidence

Thank You & Questions?