

Five years of the Patent Trial and Appeal Board

Since its establishment in 2012, the Patent Trial and Appeal Board has reshaped the US patent litigation landscape. Whether you think it is helping to improve patent quality or killing IP rights, there is no doubt that the changes have been profound

By Richard Lloyd

Five years down the line, it is clear that the biggest game-changer introduced by the America Invents Act, the first major overhaul of the US patent statute in 60 years, has been the creation of the Patent Trial and Appeal Board (PTAB). The introduction of a series of new post-issuance review procedures – *inter partes* review, covered business method review and post-grant review – has given defendants in patent lawsuits a powerful tool, while plaintiffs face a real threat to their patents' validity.

To analyse how these procedures are affecting the US patent system, *IAM* has brought together a group of IP specialists from leading US firms – Martin M Zoltick and Derek F Dahlgren from Rothwell Figg; Finnegan's Jason Stach and Joshua Goldberg; and Scott McKeown from Oblon. With the PTAB as popular as ever, the Court of Appeals for the Federal Circuit casting its eye over key decisions and the Supreme Court starting to weigh in, there was certainly much to discuss.

Q: It has been almost five years since the new post-issuance reviews came into effect – what has been the biggest impact on patent disputes?

Martin M Zoltick (MZ): One of the most significant impacts that we have seen is the dramatic change in how patent infringement actions are handled in the district courts, where an increasing number of defendants are either filing or threatening to file petitions for *inter partes* review and have the validity of the asserted patent scrutinised by judges at the PTAB. Since the implementation of the new post-grant proceedings, over 700 motions to stay pending an *inter partes* review have been filed, with almost half being granted. These stays – along with the consistent increase in the number of dispute filings across the board – may be perceived as clogging the court system. For instance, nearly 3,500 patents have seen the hallways of both a district court and the PTAB; while in many instances multiple post-grant proceedings have been filed to challenge the same patent on different bases. The sheer volume of patent disputes is further amplified at the Federal Circuit, with resulting appeals from both venues creating a bottleneck. However, the additional avenues for challenging a patent's validity provided by the PTAB's post-grant process have resulted in creative new strategic patent litigation

tactics from both patent owners and accused infringers, which – despite the potential for gamesmanship – will ultimately strengthen patents and the patent system as a whole.

Jason Stach (JS): Post-grant proceedings now affect nearly every aspect of patent practice. People often focus on the interplay with litigation, which is significant; but the broader effects pervade patent prosecution and portfolio management strategies, licensing negotiations, monetisation strategies and due diligence when acquiring or transferring patent rights, among others. Companies that value their patent rights are now being more selective in which technologies they protect and are investing more resources in each patent to ensure that it can withstand the PTAB's scrutiny. From conducting more thorough prior art searches to presenting additional objective evidence of non-obviousness during prosecution, innovators must have the long game in mind from day one. So the biggest impact of the America Invents Act's post-grant reviews is their ever-present and far-reaching nature, which requires many innovators to rethink their patenting strategies across the board.

Scott A McKeown (SM): Before America Invents Act trial proceedings, district court litigants felt it necessary to posture far into a district court calendar in the quest for settlement leverage. It was only upon reaching such milestones as Markman, summary judgment and even trial itself that litigants recalibrated their expectations to allow for settlement. Of course, this battle of attrition would take litigants through costly and burdensome discovery which spanned months, if not years. Patent disputes are now being concluded more quickly and far more cost effectively thanks to America Invents Act trial proceedings.

These trial proceedings have introduced new settlement milestones. Whether it is the filing of a trial petition, coupled with the prospect of a stay of the court case or the dreaded institution of trial (within six months of filing), these milestones often appear much earlier relative to traditional leverage points in the district court docket. The America Invents Act milestones are also reached without burdensome discovery and with far less legal spend. As a result, a typical infringement case settles faster and more cost effectively.



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Q: The PTAB remains a tough venue for patent owners, but it is still the ‘death squad’ it was once described as?

Joshua Goldberg (JG): The PTAB is not a death squad. It is easy to scare patent owners with the PTAB’s high institution rates and high cancellation rates of instituted claims, but it is important to recognise that these two rates must be multiplied to determine the true kill rate. In 2016, the PTAB instituted review in about 72% of cases, with no claims surviving final written decision in about 67% of cases. Assuming that every instituted case was instituted on every challenged claim (they are not), this would mean that every challenged claim would be killed in only about 48% of cases. Framed differently, on average, at least one challenged claim survives in about 52% of cases. While I would not characterise this as good for patent owners, it demonstrates that it is often possible to save at least some claims. Patent owners should thus consider which claims are most important and focus their arguments on these. It is nice to have many claims with which to fight an infringer, but only one is necessary to keep it off the market.



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SM: The PTAB was never a death squad – it is an expert agency. While there are stark differences in invalidation rates between it and those of general courts, this is how the agency has always operated when reviewing issued patents. If the PTAB were biased against patent owners, as opposed to simply playing by the rules Congress provided, it would not be affirmed in upward of 75% of appeals from America Invents Act trials.

That said, the PTAB has recently introduced rules designed to aid patentees, such as allowing new testimonial evidence with preliminary responses. The trick for patentees to survive an America Invents Act review is to understand that the audience is different, the standards are different and the arguments must be different. Expecting the same district court tactics to work at the PTAB and then complaining of unfairness when they do not is an unfortunate habit of patentees.

Derek F Dahlgren (DD): The PTAB undoubtedly remains a challenging forum for patent owners. Despite this, we are seeing it deny institution at a higher frequency than during the early days of America Invents Act reviews, meaning that patent owners are more frequently emerging unscathed without having to go through the review process. However, for those reviews that the PTAB does institute, patent owners face challenging odds which may give credence to Judge Rader’s now-famous observation. And while institutions are now less frequent to some degree, overall the institution rate is still quite high across all technologies except design patents. Thus, the PTAB’s moniker may still be warranted for the time being.

Q: What are your top tips for companies looking to bring an *inter partes* review and for those looking to defend one?

SM: For defending patentees, it is crucial to hire counsel with significant PTAB experience – and fast. As the preliminary response is the only opportunity to avoid institution and new testimonial evidence is due within

three months of the *inter partes* review filing date, there is no time to waste in securing competent counsel.

I would also caution against use of district court counsel to defend an *inter partes* review. Quite apart from the fact that defending at the PTAB is vastly different from the courts, it is vital to bear in mind that an *inter partes* review is essentially a reopening of the prosecution history. Should a patent survive the review, it will almost certainly be attacked on inequitable conduct grounds. The ability to cast trial counsel as bad actors must be avoided.

JS: My top two tips are to prepare well and retain counsel well versed in *inter partes* reviews. PTAB judges are both technically and legally trained, and are often willing to take deep dives into the technology and law at issue in each case. It is essential that counsel know the record and can discuss the technical and legal merits in the detail that PTAB judges have come to expect. *Inter partes* reviews also involve procedural and substantive issues which differ from district court litigation and other types of proceedings before the US Patent and Trademark Office (USPTO). While it may sound self-serving, we have seen first-hand that having counsel who can effectively navigate these unique issues is critical to success. The proceedings move so fast and have so few filings that relatively small missteps can have disproportionate consequences, unless counsel is equipped to handle them as they arise.

MZ: For those companies considering attacking a patent through an *inter partes* review – assuming that it makes strategic sense considering the bigger picture of the dispute – I would emphasise the importance of making sure that the petition is thorough in terms of the grounds asserted, with ample support through evidence and expert testimony. However, that is not to say that every potential ground of invalidity should be asserted. With a 14,000-word limit, petitioners should be strategic in selecting what grounds to raise – perhaps only the strongest arguments and best prior art references for review if the goal is institution. In most cases, weaker grounds will only dilute the stronger challenge and with multiple grounds asserted, the PTAB may feel that you are grasping at straws. Petitioners should also keep in mind that under *Shaw Indus Grp, Inc v Automated Creel Sys, Inc* (817 F 3d 1293, 1299-1300 (Fed Cir 2016)), estoppel does not apply to redundant prior art or arguments which were asserted in a petition that was not instituted. In terms of defending against an *inter partes* review, given the still high institution rate, patent owners need to look for any avenue that could possibly be raised in a patent owner’s preliminary response to show that the petition should not be granted. Patent owners should carefully comb through the asserted prior art references to look for any missing claim limitations or disclosures that may teach away from the patented invention. An *inter partes* review petition can also be quickly deflated at the get-go through challenges to institution thresholds, such as priority dates or failure to list all real parties in interest.

Q: What was your reaction to the Supreme Court’s decision in *Cuozzo v Lee*?

DD: Generally, the Supreme Court’s decision was unsurprising, but it leaves a lot of work for the Federal Circuit. The court’s affirmation of the broadest

reasonable interpretation standard was perhaps the most straightforward holding. It emphasised that the present standard has been in place in the USPTO for over 200 years, and that without a compelling reason to divert from established common practice, it was unwilling to change it.

With respect to the question of reviewability, the court adopted a more flexible approach than the Federal Circuit, but many questions remain unanswered. While the court noted that constitutional questions or instances where the PTAB acts outside the scope of its authority are reviewable, it did not define such situations with any specificity. Instead, it left it to the federal circuit to delineate what is and is not reviewable. The Federal Circuit recently decided to do that, in part, by granting rehearing *en banc* in *Wi-Fi One, LLC v Broadcom Corp.* There, it will reconsider whether the PTAB's determination that the petitioner satisfied the timeliness requirement of Section 315(b) of Title 35 of the US Code is reviewable on appeal. However, this is just one specific issue. I expect we will see continued challenges where the Federal Circuit will grapple with the reviewability of other findings made in the PTAB's institution decisions. In my opinion, this is likely to remain a contentious issue for some time.

JG: My initial reaction was: "Nothing's changed; let's move on." However, upon further review, I noted that the Supreme Court has left the door open for some judicial review of PTAB decisions associated with institution. For example, it said that its interpretation of Section 314(d) does not "enable the agency to act outside its statutory limits". The Federal Circuit is now revisiting one of its holdings in this area in the *en banc Wi-Fi One, LLC v Broadcom Corp.* case. Specifically, the Federal Circuit is revisiting *Achates Reference Publishing, Inc v Apple Inc*, where it held that judicial review is not available for a patent owner to challenge the USPTO's determination that the petitioner satisfied the timeliness requirement of Section 315(b). It will be interesting to see how this area of the law develops.

SM: I thought that it came out as expected on PTAB claim construction practices. The idea that the broadest reasonable interpretation was not within the gap provided for by *Chevron* was always an odd argument to me – especially given that the USPTO applies the broadest reasonable interpretation across all of its proceedings. Likewise, the framework of the broadest reasonable interpretation analysis and *Phillips* are virtually indistinguishable. Even had *Cuozzo* concluded differently on broadest reasonable interpretation, it would not have moved the needle given that the real difference in PTAB versus court claim constructions is the technical decision makers, not the rubrics used.

As to the appeal bar, this aspect of the decision was less binary and has spawned a new debate. We will see this play out in *Wi-Fi One LLC v Broadcom*.

Q: With a decision due in *In re: Aqua Products*, there is still a lot of focus on the claim amendment process. What changes (if any) would you like to see made?

JS: Full disclosure: Finnegan is representing Aqua Products and I would like to see a good result for our

client. But more broadly, I would like either for motions to amend to become a more realistic option for patent owners or for Congress to do away with them entirely. The PTAB currently places the burden on the patent owner to prove that its amended claims clear several procedural and substantive hurdles. However, these requirements are so strict that patent owners have met this burden only a handful of times. One of the PTAB's justifications for imposing such strict requirements is that it is an adjudicatory body not designed to examine patent claims. At the same time, several PTAB panels have modified rejections proposed by petitioners, acting in an examinational capacity to shore up perceived defects in the petitioner's challenge. This contradiction, coupled with a relatively high petitioner success rate, has led some to believe that the *inter partes* review process is biased in favour of petitioners. Giving patent owners an additional tool in the form of a reasonable motion-to-amend practice, or removing motions to amend altogether (along with related doctrines, such as the broadest reasonable interpretation claim construction standard), would go a long way towards silencing critics which find the current system unfavourable to patent owners.

SM: I would like to see the PTAB get out of the amendment business altogether. That is, if an amendment is desired, the patentee should indicate its intention shortly after institution, extend the trial by six months as permitted by statute and send the proposed amendment to the Central Re-examination Unit for review. Thereafter, much like staff attorneys at the International Trade Commission (ITC), the unit's examiners could provide a written recommendation to the PTAB. This could then proceed on its typical schedule.

Amendment will never be popular at the PTAB, given the one-for-one substitution requirement and intervening rights. In the past, patentees have gladly added new claims in re-examination, but rarely were original claims surrendered or amended. That said, given the intense criticism over a matter of little interest to anyone but PTAB critics, offloading this work to the Central Re-examination Unit would put this issue to rest once and for all.

DD: The most important change I would like to see is for the Federal Circuit to place the burden of proving the unpatentability of proposed amended claims onto the petitioner. At present, the PTAB rarely grants a patent owner's motion to amend. This is due, in part, to the burden of patentability being placed on the patent owner. Currently patent owners are required to prove a negative – a difficult proposition, particularly given the time constraints in post-issuance proceedings. Further, Section 314(e) of Title 35 of the US Code places the burden of proving unpatentability on the petitioner following institution. There is nothing in the statute to suggest that the burden should change if the claims are amended. That said, where a petitioner does not challenge proposed amended claims, I think the USPTO should be able to raise a patentability challenge of its own rather than rubber-stamping the proposed amendments. But in such instances, I would like to see a separate entity within the USPTO – perhaps a special group of examiners – conduct a search and, if warranted,



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prepare an opposition. The use of a separate entity would prevent the PTAB from blindsiding patent owners with spontaneous challenges and leave it to act as an impartial adjudicator.

Q: The Federal Circuit has now heard numerous appeals from the PTAB, making key rulings on its workings. Which case would you pick out as particularly significant?

SM: The biggest case is the one we are still waiting for: *Wi-Fi One, LLC v Broadcom*. This will explore whether issues arising under Section 315(b) of Title 35 of the US Code (ie, the one-year time bar for *inter partes* reviews) can be appealed to the Federal Circuit, despite the appeal bar set out in Section 314(d).

Wi-Fi One aside, the biggest decided case is *Genzyme Therapeutic Products LP v BioMarin Pharmaceutical Inc*, where the court dispelled a belief held widely by many practitioners and PTAB judges alike – namely, that an America Invents Act trial petition must function as a storehouse for all possible evidence and arguments. In a plainly worded opinion, the Federal Circuit found that “[t]he purpose of the trial in an *inter partes* review proceeding is to give the parties an opportunity to build a record by introducing evidence – not simply to weigh evidence of which the Board is already aware”.

While earlier Federal Circuit decisions on America Invents Act trial practice such as *Belden Inc v Berk-Tek LLC* made clear that the PTAB had considerable discretion in allowing rebuttal evidence from petitioners which served to bolster a trial ground rather than formulate a new one, *Genzyme* makes clear that additional evidence is, in fact, expected.

DD: As the *inter partes* review process enters its fifth year, many important procedural issues are now being addressed. Among these, the Federal Circuit’s narrow interpretation of *inter partes* review estoppel under Section 315(e) of Title 35 of the US Code, in *Shaw Industries Group v Automated Creel Systems*, could have particularly far-reaching consequences. When the America Invents Act first came into effect, many practitioners believed that *inter partes* review estoppel would be broadly interpreted such that a patent which survived an *inter partes* review challenge would be substantially immune to prior art challenges in related district court proceedings. Although expressed in dicta, the Federal Circuit’s statement in *Shaw Industries* that *inter partes* reviews estoppel does not apply to grounds not instituted by the PTAB casts considerable doubt on that operating assumption. This rule, if properly adopted by the Federal Circuit, potentially bears on the *inter partes* review proceeding’s status as an alternative to district court litigation. Absent broad estoppel, district courts may be less inclined to stay proceedings pending the outcome of a related *inter partes* review, potentially forcing parties to litigate in multiple tribunals simultaneously. The result may multiply costs for parties, which seems contrary to the intended goals of the America Invents Act in streamlining patentability challenges. It will be interesting to see how this area of the law develops and the effect it has on parallel proceedings before the PTAB and in district court.

JG: *Dell Inc v Accelaron, LLC* (818 F 3d 1293 (March 15 2016)) gave new hope to patent owners. While PTAB proceedings are structured to give petitioners the last word (both in briefing and at the oral hearing), *Dell* made clear that to comply with the Administrative Procedure Act, the PTAB must give patent owners the opportunity to respond to any new arguments. In *Dell*, the petitioner waited until the oral hearing to identify a new structure in the prior art as meeting a claim limitation and the PTAB relied on this structure in its final written decision. However, the Federal Circuit vacated the PTAB’s decision because the patent owner did not have the required opportunity to present evidence on whether the newly identified structure met the claim limitation. While *Dell* addressed only new arguments at the oral hearing, it kicked off a series of cases limiting the PTAB’s ability to rely on arguments first appearing in petitioner replies or PTAB final written decisions.

Q: What changes would you like to see a new USPTO director make to the *inter partes* review process?

JS: I would like to see patent owner testimony filed with a preliminary response be evaluated on the same evidentiary level as the testimony filed by petitioners. The current regulations discount preliminary response testimony, stating that if “a genuine issue of material fact” is created by the parties’ submission of divergent testimony, the “testimonial evidence will be viewed in the light most favorable to the petitioner solely for purposes of deciding whether to institute an *inter partes* review” (37 CFR §42.108(c)). The American Intellectual Property Law Association and others have argued that this summary judgment-like standard is inconsistent with the *inter partes* review statutes, which spell out the petitioner’s burden in more absolute terms, without favouring one party’s evidence over another’s. While it is understandable that the PTAB wishes to avoid having a mini-trial over testimonial disputes before institution, thoroughly evaluating and accepting a patent owner’s testimony – even on disputed issues – would help to bring pre-institution parity between petitioners and patent owners.

DD: Greater clarity surrounding institution decisions would be helpful. In particular, when a petitioner has developed multiple prior art challenges, it can be difficult to predict which grounds will be instituted and which, if any, will be deemed redundant. Particularly in light of the Federal Circuit’s recent indications that estoppel may not apply to grounds raised, but deemed redundant, there are strong incentives for petitioners to bring multiple prior art challenges against a single patent. Greater clarity and uniformity in the PTAB’s redundancy determinations is needed to properly weigh these incentives against the demand for analytical detail within tight page limitations. Relatedly, the PTAB currently resolves factual inferences in favour of the petitioner when making an institution decision. This practice, which curtails a patent owner’s opportunity to effectively contest key factual issues prior to institution, is arguably in tension with the requirement that the petitioner prove a likelihood of prevailing on the merits. This policy could therefore benefit from closer review.

SM: As noted earlier, a more creative approach to processing amendments in America Invents Act trials would go a long way towards silencing a constant criticism.

Another change which would help to alleviate the confusion over statutory estoppel now going on in the courts would be the elimination of the partial institution. That is, if the PTAB were to find that at least one claim is reasonably likely to be proven unpatentable, trial should be instituted as to all challenged claims. Thus, estoppel would apply to all claims, and those that are ultimately recovered would have stronger protection against collateral attack after a successful *inter partes* review. At present, a claim that is not subject to trial has no statutory (ie, reasonably could have raised) estoppel attached to it. This is not what Congress intended.

Q: How significant a development is the formation of a specialist PTAB bar for attorneys?

JG: As a committee chair of the PTAB Bar Association, I may be a bit biased here, but I think that the formation of this specialist PTAB bar is highly significant for attorneys. It demonstrates that practice before the PTAB is maturing. Clients no longer need to hire litigators or prosecutors to handle their PTAB matters – instead, they can hire experienced PTAB practitioners who are familiar with the unwritten rules and practices of the PTAB and who are thus better able to navigate its uncharted waters. The PTAB Bar Association gives these practitioners a forum to hone their skills and work with other stakeholders – including petitioners, patent owners and PTAB judges – to help secure the just, speedy and inexpensive resolution of every PTAB proceeding.

SM: I sit on the board of directors for the PTAB Bar Association; so naturally, I am likewise a bit biased and believe it is a significant development. PTAB practice, like other administrative trials at the ITC, requires a specialised skill set. The formation of a dedicated bar is a recognition not only of the significant amount of time, effort and focus necessary to successfully practise before the PTAB, but also of the growing prominence of this practice space. The PTAB Bar Association includes hundreds of practitioners, in-house counsel and judges. It is a tremendous resource and is still growing. I encourage anyone interested in the PTAB to get involved (www.PTABbar.org).

MZ: The founding of the PTAB Bar Association has been a remarkable step forward in creating a community of skilled practitioners in this nascent practice area. As a forum for sharing ideas, mentoring and constructive dialogue, the organisation has allowed members to navigate the still-emerging PTAB trial practice together and is considered a valuable resource by attorneys and non-legal affiliates alike. Membership offers access to a wealth of knowledge, including PTAB-related best practices and jurisprudence, and provides regular updates to stay abreast of news and recent decisions. As the association continues to grow and evolve, I think we'll see that the organisation has historic influence

on unfolding PTAB practice and sets the stage for a meeting of minds among PTAB judges, practitioners and corporate and government stakeholders.

Q: Do you see the popularity of *inter partes* review changing at all in the coming year?

SM: No, not as long as *inter partes* review remains available in its present form – it is simply too valuable a tool for patent challengers. Of course, at any given moment there is legislation seeking to weaken *inter partes* review by making it more akin to district court practices. These changes are largely pursued by the bio/pharma lobby. Nevertheless, passage of a bill that would align America Invents Act trials with district court procedures seems highly unlikely, given the opposition from consumer electronics, retail and other industries reaping the vast benefits of this fast-track challenge mechanism. As such, I expect the popularity of *inter partes* reviews to remain unchanged.

MZ: For the most part, all of the indicators tell me that *inter partes* reviews will continue to be a hot commodity for patent challengers in 2017. Petition filings are still on a steady climb and the PTAB remains amenable to institution, granting review for more than 60% of petitions. In addition, the high invalidity rate makes *inter partes* reviews a goldmine for patent challengers – by the end of last year, there was an 83% chance of the PTAB finding some or all of the claims in an instituted *inter partes* review unpatentable. While a handful of Federal Circuit cases coming down the pipeline may affect petitioners, it is unlikely that the effect will be sufficient to considerably temper the popularity of *inter partes* reviews. In *In re Aqua Products*, for instance, the Federal Circuit is considering whether the burden of proving patentability of amendments in an *inter partes* review will remain with the patent owner. If the *en banc* panel finds that patent owners do not, the result may be that more amendments will be allowed and that the petitioner will bear a greater burden of persuasion. Yet unless the kill rate of patents also declines drastically, I think we will see that *inter partes* review continues to be the preferred mechanism for patent challenges.

JS: *Inter partes* review and other post-grant challenges still represent an accused infringer's best chance of neutralising an asserted patent, so I think that they will remain popular tools. The estoppel effect of losing an *inter partes* review may have initially dissuaded some would-be filers. However, several courts have now interpreted the estoppel narrowly, removing one of the primary downsides for petitioners. On the other hand, the proceedings generally grow more complex with each new Federal Circuit decision, requiring further specialised knowledge to maximise the chance of success. Complexity can lead to uncertainty, which may scare off some petitioners. Ultimately, with these and other factors pulling in both directions, I think the petition filing rate is likely to remain on a par with last year's. Which is to say that *inter partes* reviews will remain wildly popular and will continue to be a key driving force in the patent landscape for years to come. **iam**



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