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## WITHOUT CLEAR RULES, PTAB PRACTICES MAY RUN AFOUL OF THE APA

ARPITA BHATTACHARYYA & RACHEL L. EMSLEY\*

### INTRODUCTION

Like all administrative agencies of the United States, the internal procedures of the United States Patent and Trademark Office (USPTO) and its judicial arm—the Patent Trial and Appeal Board (PTAB)—are governed by the Administrative Procedure Act (APA).<sup>1</sup> The APA imposes procedural requirements for all formal adjudications before the PTAB, including *inter partes* review (IPR), post-grant review (PGR), and Covered Business Method review (CBM).<sup>2</sup> Under the APA, each interested party is entitled to receive a timely notice of “the matters of fact and law asserted,” an opportunity to submit and consider facts and arguments, and “to submit rebuttal evidence . . . as may be required for a full and true disclosure of the facts.”<sup>3</sup> The Federal Circuit has explained that the APA imposes limits on the PTAB’s actions and procedures, and that the PTAB may not “change theories in midstream” without giving the adversely affected party reasonable notice of the change and the opportunity to respond under the new theory.<sup>4</sup>

The codified rules for PTAB procedure—the American Invents Act (AIA) Statute and USPTO Trial Practice Regulations<sup>5</sup>—do not themselves ensure APA compliance. In other words, simply following these rules does not guarantee that the proceeding will meet the APA’s notice and opportunity to respond requirements. Instead, as explained below, parties must be vigilant and take measures to establish a favorable record for appeal, i.e., one that establishes the APA violation or that protects against such a claim. This article explores one area that has emerged as a fertile ground

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1. *Dell Inc. v. Accelaron, LLC*, 818 F.3d 1293, 1298 (Fed. Cir. 2016); *see also SAS Inst., Inc. v. ComplementSoft, LLC.*, 825 F.3d 1341, 1351 (Fed. Cir. 2016).

2. *See* 5 U.S.C. §§ 551–559 (2012); *see also Dell*, 818 F.3d at 1301.

3. *Dell*, 818 F.3d at 1301; *see also Belden Inc. v. Berk-Tek LLC.*, 805 F.3d 1064, 1080 (Fed. Cir. 2015); 5 U.S.C. §§ 554(b)–(c), 556(d) (2012).

4. *Belden*, 805 F.3d at 1080.

5. *See* America Invents Act, 35 U.S.C. §§ 311–29 (2012); *see also* 37 C.F.R. § 42 (2017).

for APA issues: when a party presents “new argument” late in the proceeding but the PTAB’s rules do not provide a clear path for the opposing party to respond.

This Article begins with a review of the PTAB procedures for presentation of arguments and evidence in Part I. Part II explores the contours of APA violations as established by the Federal Circuit thus far. Finally, in Part III, this Article discusses the evolving PTAB practice for handling new arguments and proposes best practices for avoiding or establishing APA issues on appeal.

## I. PTAB PRACTICE

PTAB rules and procedures, and ultimately the Congressional mandate to conclude review in one year from institution,<sup>6</sup> limit the parties’ ability to present evidence and argument.<sup>7</sup> The petitioner bears the burden in the initial filing to submit, up front, the evidence and arguments it will rely upon in a 14,000 words IPR petition or 18,700 words PGR/CBM petition.<sup>8</sup> If the PTAB institutes a trial, the patent owner submits a substantive response in 14,000 words (for IPR) or 18,700 words (for PGR/CBM), and the petitioner is allowed a single, shorter reply (5,600 words for IPR, PGR, and CBM) to the patent owner’s arguments.<sup>9</sup> The rules provide no further right to substan-

6. 35 U.S.C. § 316(a)(11) (2012) (“requiring that the final determination in an inter partes review be issued not later than 1 year after the date on which the Director notices the institution of a review under this chapter, except that the Director may, for good cause shown, extend the 1-year period by not more than 6 months, and may adjust the time periods in this paragraph in the case of joinder under section 315(c)”).

7. See, e.g., 37 C.F.R. § 42.23 (2016) (explaining that “[a] reply may only respond to arguments raised in the corresponding opposition, patent owner preliminary response, or patent owner response.”); *id.* at § 42.24 (establishing type-volume or page-limits for petitions, motions, oppositions, and replies).

8. 35 U.S.C. § 312(a)(3) (2012) (requiring that “the petition identifies, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim”); see also *id.* at § 316(e) (“In an inter partes review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.”); 37 C.F.R. § 42.24(a) (2016) (setting word limit for petitions).

9. 35 U.S.C. § 316 (a)(8) (2012) (providing for the filing by the patent owner of a response to the petition under Section 313 after an *inter partes* review has been instituted, and requiring that the patent owner file with such response, through affidavits or declarations, any additional factual evidence and expert opinions on which the patent owner relies in support of the response); see also *id.* at § 316(a)(13) (providing the petitioner with at least one opportunity to file written comments within a time period established by the Director); 37 C.F.R. § 42.120(a) (2012) (“patent owner may file a response to the petition addressing any ground for unpatentability not already denied. A patent owner response is filed as an opposition and is subject to the page limits provided in § 42.24”); *id.* at § 42.24(b)(2) (“The word counts for a patent owner response to petition are the same as the word counts for the petition”); *id.* at § 42.23(b)

tive briefing. In fact, the PTAB has generally established that no new evidence may be introduced at the oral hearing and that the parties' demonstratives must find support in the record, which generally precludes any meaningful response to arguments that have not been addressed previously in the proceeding.<sup>10</sup> This tightly-controlled process can give rise to APA violations when, for example, a petitioner raises new arguments in its reply, but the PTAB rules do not guarantee patent owner a sur-reply.<sup>11</sup> Similarly, a patent owner may raise substantial issues, such as secondary considerations, in its response, but petitioner may not be able to respond adequately to those issues in its reply given the word-count limits and the need to respond to arguments on the merits of the instituted grounds. At present, PTAB practice for handling new arguments is highly variable, with no clear guidance from the PTAB or the Federal Circuit on what parties must do to avoid or raise APA issues on appeal.

## II. CONTRASTING FEDERAL CIRCUIT DECISIONS ON "NEW ARGUMENTS" PRESENTED POST-INSTITUTION

Recent Federal Circuit cases shed some light on how new arguments presented by a party in a patent owner response or in a petitioner's reply, or a new position adopted by the PTAB in the final written decision, may or may not violate the APA. In *In re NuVasive, Inc.*, for example, the Federal Circuit provided insight into how new arguments presented by a petitioner after institution, i.e., arguments not in the petition, can run afoul of the APA.<sup>12</sup>

*In re NuVasive, Inc.* involved two companion IPR petitions filed by Medtronic against a NuVasive patent.<sup>13</sup> Both petitions focused on the obviousness of certain dimensions for a spinal fusion implant.<sup>14</sup> In the first Petition (IPR2013-00507), Medtronic argued that it would have been obvious to

("[a] reply may only respond to arguments raised in the corresponding opposition, patent owner preliminary response, or patent owner response."); *id.* at § 42.24(c)(1) (limiting reply to 5,600 words).

10. See Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,768 (Aug. 14, 2012) (codified at 37 C.F.R. pt. 42) ("No new evidence or arguments may be presented at the oral argument."); see also *CBS Interactive Inc. v. Helferich Patent Licensing, LLC*, IPR2013-00033, Paper 118, at 3 (P.T.A.B. Oct. 23, 2013) (cautioning that new arguments "would include different characterizations of the evidence and different inferences drawn from the evidence. If certain testimony previously was not developed, discussed, or explained in a party's papers, it may not be developed, discussed, explained, or summarized, for the first time, in the form of demonstrative slides at final oral hearing.").

11. See *infra* Part III.

12. 841 F.3d 966 (Fed. Cir. 2016).

13. *Id.* at 967.

14. *Id.*

modify the primary reference in view of a secondary reference, Michelson, stating that Michelson teaches the “elongated shape” and “dimensions that are longer than wide,” with a citation to a range in Michelson including a discussion of its Figure 18.<sup>15</sup> In the second Petition (IPR2013-00508), Medtronic relied on a different primary reference, modified by Michelson, but did not include any assertion about, or citation to, Michelson’s Figure 18.<sup>16</sup> In response to NuVasive’s patent owner responses arguing that no single reference taught the claimed dimensions, Medtronic pointed to Michelson’s Figure 18 in both of its replies. The PTAB denied NuVasive’s request for leave to file motions to strike the new argument, or in the alternative, to file sur-replies.<sup>17</sup> And, at oral argument, the PTAB did not allow NuVasive to make substantive arguments in response to Medtronic’s reliance on Figure 18 of Michelson, and when NuVasive objected to Medtronic’s argument regarding Figure 18 during its rebuttal time, the panel “assured NuVasive that it understood [its] position and would consider the propriety of Medtronic’s arguments when making a final decision.”<sup>18</sup>

The Federal Circuit found the notice to NuVasive of Medtronic’s reliance on Figure 18 of Michelson was “minimally sufficient” in IPR2013-00507, despite the fact that Medtronic did not make a “clear or direct reference to [the length/width ratio claim] limitation or a clear or direct assertion that the [claimed] ratio is shown in Michelson, in Figure 18 or elsewhere.”<sup>19</sup> But in the appeal of IPR2013-00508, the Federal Circuit found that Medtronic’s petition did not notify NuVasive of the portions of Michelson that later became critical in the proceeding and that the PTAB’s ultimate reliance on that material, together with its refusal to allow NuVasive to file a sur-reply or address the matter during oral argument, amounted to a violation of the notice and opportunity to respond provisions of the APA.<sup>20</sup> The Federal Circuit further noted that although NuVasive was allowed to file “observations” on the cross-examination of Medtronic’s expert, the “observations” were not sufficient to ensure the required opportunity to respond.<sup>21</sup>

This case stands in contrast to the Federal Circuit’s decision on the PTAB’s handling of claim construction issues in *Intellectual Ventures II LLC*

15. *Id.* at 969.

16. *Id.*

17. *Id.* at 970.

18. *Id.*

19. *Id.* at 972.

20. *Id.* at 972–73.

21. *Id.* at 973.

*v. Ericsson Inc.*<sup>22</sup> There, patent owner Intellectual Ventures argued that its procedural due process rights under the APA were violated by the PTAB's adoption of a claim construction in its final written decision that no party previously advanced.<sup>23</sup> Specifically, Intellectual Ventures contended that neither Ericsson nor Google (who filed separate IPR petitions) offered a construction of the term in their respective petitions and that "the Board never 'previewed' its construction until the Google oral argument."<sup>24</sup>

The Federal Circuit disagreed because claim construction of that particular term was extensively litigated by both parties and the panel questioned the parties about the construction at oral hearing.<sup>25</sup> Notably, the Federal Circuit explained that Intellectual Ventures had an opportunity to seek a sur-reply after it became aware of Google's and Ericsson's claim construction positions in their respective replies, but it did not do so.<sup>26</sup> Nor did Intellectual Ventures seek rehearing after the final written decision was issued.<sup>27</sup> Based on these facts, the Federal Circuit found no violation of the notice and opportunity to respond requirements of the APA.<sup>28</sup> Presumably, had Intellectual Ventures asked for a sur-reply or a rehearing on the claim construction matter, but was denied, and/or the PTAB had not allowed Intellectual Ventures to address the matter during oral hearing, Intellectual Ventures could have more plausibly argued under *In re NuVasive* that there was an APA violation. Because claim construction of the term was at issue throughout the proceedings, and further because Intellectual Ventures did not seek additional briefing and was in fact given an opportunity to respond during oral arguments, any supposed APA violation resulting from the PTAB's adoption of the new claim construction seemed to have been cured.<sup>29</sup>

Similarly, in *Genzyme Therapeutic Prods. L.P. v. Biomarin Pharm. Inc.*, patent owner Genzyme argued that the PTAB violated the APA when

22. 686 F. App'x 900 (Fed. Cir. 2017).

23. *Id.* at 904–05.

24. *Id.*

25. *Id.* at 905. *But see* *Rovalma, S.A., v. Bohler-Edelstahl GMBH & Co. KG*, 856 F.3d 1019, 1029 (Fed. Cir. 2017) (remanding and noting that "although the Board discussed [certain submissions] extensively at the oral argument, that was too late in the absence of an additional adequate opportunity to be heard.").

26. *Intellectual Ventures II*, 686 F. App'x at 905–06.

27. *Id.*

28. *Id.*

29. *See id.* at 906.

it cited references in its final written decisions that were not specifically included in the instituted prior art grounds for two IPR proceedings.<sup>30</sup> The Federal Circuit, however, explained that introduction of new evidence during the course of the trial was “perfectly permissible under the APA,” as long as opposing party is given notice of the evidence and has an opportunity to respond to it.<sup>31</sup> Considering the specific facts of the case, the Federal Circuit concluded that there was no APA violation because Genzyme had “ample notice that the references were in play as potentially relevant evidence” and, in fact, had argued against the references in its patent owner responses.<sup>32</sup>

### III. NEW ARGUMENTS: AN UNSETTLED PTAB PRACTICE

Thus far, the PTAB has not adopted a standard procedure for enabling parties to identify or respond to new arguments introduced following institution.<sup>33</sup> To avail oneself of the argument that the APA has been violated, however, a party may have to attempt all avenues to respond.<sup>34</sup> In *Belden Inc. v. Berk-Tek LLC*, the Court noted the various processes a patent owner may use:

[I]f the petitioner submits a new expert declaration with its Reply, the patent owner can respond in multiple ways. It can cross-examine the expert and move to file observations on the cross-examination. It can move to exclude the declaration. It can dispute the substance of the declaration at oral hearing before the Board. It can move for permission to submit a surreply responding to the declaration’s contents. And it can request that the Board waive or suspend a regulation that the patent owner believes impairs its opportunity to respond to the declaration. The options are not mutually exclusive.<sup>35</sup>

30. 825 F.3d 1360, 1366 (Fed. Cir. 2016).

31. *Id.*

32. *Id.* at 1367.

33. *Belden Inc. v. Berk-Tek LLC.*, 805 F.3d 1064, 1081 (Fed. Cir. 2015) (noting that “a party may cross-examine an affiant who has submitted testimony prepared for review”, “move for additional discovery,” “move to exclude evidence” and “[i]n the event that cross-examination occurs after a party has filed its last substantive paper on an issue . . . [t]he Board may authorize the filing of observations on that cross examination, though the observations are to be brief and non-argumentative.”).

34. *Id.* at 1079.

35. *Id.* at 1081.

Thus, it is up to the parties to identify “new” arguments to the panel and seek relief. In *Belden*, the Court held that the PTAB “provided Belden with a meaningful opportunity to respond . . . in that it granted every request Belden made for consideration of the issue.”<sup>36</sup> However, Belden did not seek to file a sur-reply, observations on its cross-examination, or to otherwise have the PTAB waive regulations preventing it from responding to a new declaration submitted with the petitioners’ reply.<sup>37</sup> Therefore, the Court did not feel “prepared to find Belden was denied a meaningful opportunity to respond.”<sup>38</sup>

Our study of PTAB decisions reveals that the opportunity to respond to new arguments may be more limited than the Federal Circuit has considered. Although the Court commented that a party can make a motion to exclude evidence or dispute “the substance . . . at oral hearing before the Board,” the PTAB does not generally allow parties to use a motion to exclude or oral hearing to present arguments outside of those already in the briefing.<sup>39</sup> And while the Court cited several cases in which the Board allowed parties to file sur-replies to a petitioner’s replies,<sup>40</sup> the PTAB’s response to such requests for sur-replies has been varied.<sup>41</sup> In cases where the patent owner has raised

36. *Id.* at 1082.

37. *Id.*

38. *Id.*

39. See Office Patent Trial Practice Guide, 77 Fed. Reg. 48,768 (“No new evidence or arguments may be presented at the oral argument.”); see also *CBS Interactive Inc. v. Helferich Patent Licensing, LLC*, IPR2013-00033, 2012 WL 9496444, at \*3 (cautioning that new arguments “would include different characterizations of the evidence and different inferences drawn from the evidence. If certain testimony previously was not developed, discussed, or explained in a party’s papers, it may not be developed, discussed, explained, or summarized, for the first time, in the form of demonstrative slides at final oral hearing.”); *Apple Inc. v. VOIP-PAL.com, Inc.*, IPR2016-01201, Paper 43 (P.T.A.B. Dec. 20, 2017) (denying motion to expunge but noting “we advise the parties that, to the extent that Patent Owner’s Motion to Exclude amounts to an unauthorized sur-reply or seeks to exclude Petitioner’s argument in its Reply, such content is not proper for a motion to exclude.”).

40. *Belden*, 805 F.3d at 1081 (citing *Sensio, Inc. v. Select Brands, Inc.*, IPR2013-00580, 2015 WL 1009189, at \*1, \*4–7 (P.T.A.B. Feb. 9, 2015); *Zodiac Pool Sys., Inc. v. Aqua Prods., Inc.*, IPR2013-00159, 2014 WL 4244016, at \*1, \*22 (P.T.A.B. Aug. 22, 2014); *ABB, Inc. v. ROY–G–BIV Corp.*, IPR2013-00063, 2014 WL 2112556, at \*4 (P.T.A.B. May 16, 2014)).

41. See, e.g., *Campbell Soup Co. v. Gamon Plus, Inc.*, IPR2017-00087, IPR2017-00091, IPR2017-00094, Paper 41, at 3 (P.T.A.B. Nov. 14, 2017) (sur-reply granted); *Arris Int’l PLC v. Sony Corp.*, IPR2016-00835, Paper 29 (P.T.A.B. May 26, 2017) (sur-reply granted); *Coal. for Afford. Drugs VI, LLC v. Celgene Corp.*, Nos. IPR2015-01092, IPR2013-01096, IPR2015-01102, IPR2015-01103, Paper 65 (P.T.A.B. Jun. 24, 2016) (sur-reply granted); *Instradent USA, Inc. v. Nobel Biocare Servs. AG*, IPR2015-01786, Paper 57 (P.T.A.B. Aug. 16, 2016) (sur-reply granted); *ShenZhen Liown Elec. Co., v. Disney Enters., Inc.*, IPR2015-01656, IPR2015-01657, IPR2015-01658, Paper 35 (P.T.A.B. Sept. 2, 2016) (sur-reply denied); *Cisco Sys., Inc. v. TQ Delta, LLC*, IPR2016-01007, Paper 20 (P.T.A.B. Jun. 22, 2017) (sur-reply denied); *Coherus Biosciences Inc. v. AbbVie Biotech. Ltd.*, IPR2016-00172, IPR2016-00188, IPR2016-00189, Paper 46 (P.T.A.B. Jan. 20, 2017) (sur-reply denied); *Kranos Corp. v. Riddell, Inc.*, IPR2016-01646, IPR2016-01650, Paper 23 (P.T.A.B. Oct. 16, 2017) (sur-reply denied); *Nintendo of Am.*,



secondary considerations, or attempted to swear behind a prior art reference—issues on which the patent owner bears the ultimate burden of proof—the Board has allowed a sur-reply so that the patent owner has the “final word.”<sup>42</sup> But, even in such cases or in cases where a new reference has been introduced by the petitioner in its reply, the PTAB has denied reply briefing in many instances.<sup>43</sup> With many of these denials, the PTAB has taken the view that “the Board, sitting as a non-jury tribunal with administrative expertise, is well positioned to determine and assign appropriate weight to evidence and arguments presented in the briefs, including giving it no weight if, for example, the evidence is improperly offered.”<sup>44</sup> Instead, the usual course taken by the PTAB has been to allow the aggrieved party to submit a short paper identifying the location of allegedly new arguments—cautioning that the paper should not make any arguments—and allow the responding party to submit a paper pointing to the original support.<sup>45</sup>

### CONCLUSION

While the process may be uncertain, petitioners and patent owners must be vigilant to identify new arguments post-institution to the PTAB and to pursue every available remedy including responsive substantive briefing. Without such vigilance, a party may find itself unable to make a successful APA claim on appeal. In pursuit of a clear and full record, parties should memorialize conference calls with the Board, where decisions and arguments may otherwise be made off-the-record, by hiring a Court Reporter and filing transcripts as exhibits.<sup>46</sup> And, as oral hearing transcripts become part of the record for appeal, parties may use that opportunity to memorialize what may otherwise not be made off-record. Although it has not gained wide acceptance at the PTAB, some panels may allow an offer of proof under Fed.

Inc. v. Motion Games, LLC, IPR2014-0164, IPR2014-00165, IPR2014-00166, Paper 27 (P.T.A.B. Nov. 26, 2014) (sur-reply denied).

42. See, e.g., *Campbell Soup*, Paper 41, at 3 (noting Patent Owner bears the burden of producing evidence in the form of secondary considerations of non-obviousness).

43. See, e.g., *ShenZhen*, Paper 35; *Coherus*, Paper 46.

44. *Kranos*, Paper 23.

45. See, e.g., *Cisco*, Paper 20; *Nintendo*, Paper 34.

46. See *Ultratec, Inc. v. CaptionCall, LLC*, 872 F.3d 1267, 1274–75 (Fed. Cir. 2017) (finding no burden on the patentee to memorialize the agency reasoning, and noting that the USPTO’s Patent Trial Practice Guide and website does not inform parties that they have the right to hire a stenographer to transcribe conference calls).

R. Civ. P. 103(a)(2)<sup>47</sup> to be made by submission or at the Oral Hearing.<sup>48</sup> Finally, in the face of a request for additional briefing by an opponent, parties should consider whether to oppose such requests, as a denial may give rise to a reversal or remand from the Federal Circuit for an APA violation.

47. FED. R. EVID. 103(a)(2) (“A party may claim error in a ruling to admit or exclude evidence only if the error affects a substantial right of the party and . . . if the ruling excludes evidence, a party informs the court of its substance by an offer of proof, unless the substance was apparent from the context.”).

48. See, e.g., *Juniper Networks, Inc. v. Chrimar Sys. Inc.*, IPR2016-01397, Paper 66, at \*54, \*60 (P.T.A.B. Dec. 29, 2017) (noting offer of proof submitted at Oral Hearing); *Samsung Elec. Co., LTD, v. Affinity Labs of Tex., LLC*, IPR2014-00209, Paper 51, at \*78–80 (P.T.A.B. Apr. 3, 2015) (allowing party to make offer of proof at Oral Hearing). *But see Int’l Bus. Machs. Corp., v. Intellectual Ventures II LLC*, IPR2015-01323, Paper 35 (P.T.A.B. Jul. 11, 2016) (denying petitioner’s request for rehearing on denial of petitioner’s request for authorization to file offer of proof).