Comparing apples and oranges?

Danielle Gillen and **Jason W Schigelone** analyse whether the outcomes from the PTAB and district courts are really as at odds as recent analysis suggests

The America Invents Act (AIA) created several new procedures for third parties to challenge the patentability of issued patents before the US Patent & Trademark Office (USPTO). These include *inter partes* review (IPR), covered business method review (CBM), and post-grant review (PGR) proceedings. Parties accused of infringement in district court litigation widely use these proceedings due to perceived cost advantages and a high initial success rate for patent challengers.

While the USPTO's post-grant proceedings are often touted as potential alternatives to patent litigation, the scope of these proceedings is limited compared to district court litigation. For example, invalidity grounds in IPR proceedings are limited to published prior art, whereas district courts are free to consider any prior art. As a result, a district court and the USPTO's Patent Trial and Appeal Board (PTAB), which presides over post-grant proceedings, often both address the validity of litigated patents in parallel proceedings.

"While the reasoning behind the jury's 'invalid' determination is unknown, the differing determinations may be explained by the inherent differences between the fact finders."

So, what happens when a district court and the PTAB reach different conclusions? The Federal Circuit recently addressed this issue, noting that the PTAB and district court may properly reach different conclusions regarding the validity of a patent, even "based on the same evidence."[1] But just how often does this happen? A commentator for the blog IPWatchdog recently reported based on "a few simple queries in Docket Navigator," that the PTAB and district courts disagree "76% of the time."[2] This rate was obtained by querying instances where: (1) a determination of "not invalid" was made with respect to a patent, and (2) the PTAB made a determination of "unpatentable" with respect to the same patent.

IPWatchdog's analysis has been criticised based on an argument that it incorrectly assumes such competing determinations necessarily reflect a disagreement between the tribunals. A commentator for Patent Progress re-analysed IPWatchdog's data and noted that the tribunals often reached their respective determinations based on different issues, including different statutory grounds (eg, anticipation versus indefiniteness), and sometimes different patent claims.[3] According to Patent Progress, IPWatchdog's data "when correctly understood, shows that the PTAB only rarely disagrees with the federal courts when both review the validity of the same patent." Patent Progress reported disagreement at 16%, rather than 76%. While Patent Progress purported to address deficiencies in how IPWatchdog calculated the disagreement rate, Patent Progress did not discuss the reasons why the PTAB and district courts disagreed. For example, it is not clear from the analysis whether the reported 16% disagreement includes invalidity determinations based on the same prior art.

Apples to apples

We conducted our own apples-to-apples analysis, using a different data set than that used by IPWatchdog and Patent Progress. Whereas IPWatchdog queried Docket Navigator for instances where the PTAB ostensibly disagreed with a district court's "not invalid" determination,[4] we queried Docket Navigator for situations where the district court ostensibly disagreed with the PTAB's "not unpatentable" determination. The search yielded 67 patents[5] out of a total of 167 patents[6] challenged in parallel proceedings and upheld by the PTAB.

Of these, four patents could be eliminated because the competing "invalidity" determinations were made by the International Trade Commission, rather than a district court. An additional 38 patents were eliminated because the competing "invalidity" determinations were based on distinct grounds of invalidity (eg, § 102 anticipation versus § 112 indefiniteness; or § 102 anticipation versus § 103 obviousness). The remaining 25 patents each involved determinations based on the same ground of invalidity. However, 17 of the 25 patents involved different prior art references and/or combinations, and six of the 25 patents involved an alignment or agreement with the PTAB's "not unpatentable" determination. Accordingly, we eliminated these patents from our analysis, leaving only two out of 167 total patents (1.2%) with a true disagreement between the tribunals.

The first case with a true disagreement is *Realtime Data, LLC v Riverbed Technology, Inc*.[7] In Realtime Data, a Texas jury found claims 1 and 14 of US Patent No 7,415,530 ("the '530 Patent") invalid as obvious based on two references: "Franaszek" and "Osterlund." However, when presented with these same two references the PTAB found that claims 1 and 14 of the '530 Patent are not obvious.[8] The PTAB found that the petitioner had failed to meet its burden of proof in showing how the prior art references could be combined, or whether a person of ordinary skill would have a reasonable expectation of success.

While the reasoning behind the jury's "invalid" determination is unknown, the differing determinations may be explained by the inherent differences between the fact finders (a lay jury in the district court proceeding versus administrative law judges with technical backgrounds in the PTAB proceeding). It is important to note that each of these determinations is subject to appeal and could be reversed.

"The Federal Circuit has made clear that the USPTO may disagree with the district courts, as neither a district court's finding (or the Federal Circuit's affirmance of that finding), is binding on the USPTO."

The second case with a true disagreement is *Intellectual Ventures I LLC v Canon Inc*.[9] In this case, the district court for the District of Delaware found that substantial evidence supported the jury's finding that claims 19 and 20 of US Patent No 6,121,960 ("the '960 Patent") are not invalid as anticipated by the "Gough" reference. However, when presented with the same reference, the PTAB found that claims 19 and 20 are invalid.[10]

As with the '530 Patent in Realtime Data, the difference could be attributed to the fact finders. The district court suggested as much, referring to patent owner's evidence as "poorly articulated" and potentially contradictory, but upholding the jury's verdict because "it is the job of the jury, not the court, to assign appropriate weight to the testimony."[11]

It is important to note that we did not contemplate the disagreement found in the '960 patent when we devised our Docket Navigator query. As explained above, it was devised to identify conflicts with the PTAB's "not unpatentable" determinations. In contrast, the true disagreement with respect to the '960 patent relates to the PTAB's unpatentable determination. Nonetheless, we included the '960 patent in our analysis because it further illustrates why different tribunals might reach different determinations (as well as the importance of reviewing underlying determinations rather than taking raw data at face value).

There are additional reasons why the district courts and the PTAB may disagree. Although not observed in our data set, different claim construction standards between the tribunals ("ordinary meaning" in district court proceedings versus "broadest reasonable interpretation" in PTAB proceedings[12]) may yield differences, and these may arise due to the relative burdens of proof in each tribunal. In district court proceedings, a patent is presumed valid and, therefore, a party accused of patent infringement must prove invalidity by clear and convincing evidence.[13] In contrast, there is no presumption of validity before the PTAB, and therefore, a petitioner in post-grant proceedings must prove invalidity only by a preponderance of the evidence.[14]

The Federal Circuit has made clear that the USPTO may disagree with the district courts, as neither a district court's finding (or the Federal Circuit's affirmance of that finding), is binding on the USPTO.[15] Thus, litigants should expect the possibility of different determinations, even when the tribunals are presented with the same issues and facts.

Our analysis demonstrates, however, that such true disagreements are rare and occur at a lower rate than previously reported. In our apples-to-apples comparison, we found true disagreement in less than 2% of the patents in our data set. This is a substantially lower disagreement rate than reported by blogs *IPWatchdog* (67%) or *Patent Progress* (16%). Our lower disagreement rate may be attributed to a number of factors, including our use of a different data set than the set used by *IPWatchdog* or *Patent Progress*. In addition, our lower disagreement rate, as compared to *IPWatchdog,* is attributed to the fact that we did not take at face value Docket Navigator's search results. Instead, we reviewed the underlying determinations to establish if the tribunals' determinations reflect a true apples-to-apples disagreement. This extra review proved important, as we discovered that the majority of "disagreements" in the Docket Navigator raw data could be excluded because the data selected by other commentators compared apples to oranges, or something else.

Footnotes

1. *Novartis AG v Noven Pharms, Inc*, 853 F.3d 1289, 1293-94 (Fed Cir 2017). The Federal Circuit affirmed the PTAB's finding of unpatentability, notwithstanding the court's prior opinion affirming a district court's finding that the same claims were not invalid.
2. Josh Malone & Steve Brachmann, PTAB, Patent Trolls, Bad Patents, and Data: A Wakeup Call to AIA Apologists, *IPWatchdog* (30 Oct 2017), http://www.ipwatchdog.com/2017/10/30/ptab-patent-trolls-bad-patents-wakeup-aia-apologists/id=89609/.
3. Josh Landau, CCIA Submits Letter For The Record To House Judiciary Subcommittee On IP, *Patent Progress* (14 Nov 2017), https://www.patentprogress.org/2017/11/14/ccia-submits-letter-record-house-judiciary-subcommittee-ip/.
4. Search: Determination=[Not Invalid] AND [Unpatentable].
5. Search: Determination=[Not Unpatentable] AND [Invalid].
6. Search: Determination=[Not Unpatentable] AND ([Invalid] OR [Not Invalid]).
7. *Realtime Data, LLC v Riverbed Tech, Inc,* Civ No 15-468 (ED Tex).
8. *Dell Inc v Realtime Data LLC*, IPR2016-00972 (PTAB).
9. *Intellectual Ventures I, LLC v Canon Inc,* Civ No 11-792-SLR (D Del).
10. *Google Inc v Intellectual Ventures II LLC*, IPR2014-00787 (PTAB).
11. *Intellectual Ventures I, LLC v Canon Inc,* Civ No 11-792-SLR, slip op at 36 (D Del 18 May 2015)
12. *Cuozzo Speed Techs, LLC v Lee,* 136 S Ct 2131, 579 US __ (2016).
13. 35 USC § 282(a); *Microsoft Corp v i4i Ltd.* P'ship, 564 US 91 (2011).
14. 35 USC § 316(e).
15. Novartis, 853 F.3d at 1293-94.

Authors


Danielle Gillen is a patent attorney at Brinks Gilson & Lione focused on patent prosecution, opinions, licensing and counseling services, with a background in mechanical engineering.

Jason W Schigelone is also at Brinks Gilson & Lione and focuses on patent litigation and prosecution and clearance opinions. He is a veteran of the automotive industry. Brinks' summer associate Michelle Song helped with the data needed for this article.