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Patent Owners: Beware of Proposed Changes to PTAB Handling of Preliminary-Stage Testimonial Evidence

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The U.S. Patent and Trademark Office (“USPTO”) recently published a proposed rules package that would eliminate a significant, petitioner-favoring presumption that applies in Patent Trial and Appeal Board (“PTAB”) decisions on whether to institute IPRs, PGRs, and CBMs. See 85 Fed. Reg. 31728 (Proposed May 27, 2020). Specifically, this presumption requires the PTAB to view “in the light most favorable to the petitioner solely for purposes of deciding whether to institute” any genuine issues of material fact that are created by new testimonial evidence the patent owner submits with its preliminary response (referred to here as “the presumption”). 37 C.F.R. §§ 42.108(c), 42.208(c). Since the proposed rule change, if adopted, may apply to all pending proceedings in which the patent owner’s preliminary response is filed on or after the effective date (85 Fed. Reg. at 31730), patent owners should not delay in planning for its potential impacts. This article explains how the presumption came about and discusses issues relating to its elimination.

The Evolving Rule on Preliminary-Stage Testimonial Evidence

At first, the USPTO flatly prohibited patent owners from filing new testimonial evidence with their preliminary response, except as authorized by the PTAB. 37 C.F.R. §§ 42.107(c), 42.207(c) (2012); 77 Fed. Reg. 48756, 48764 (Aug. 14, 2012) (permitting it only “in the interests of justice”). The USPTO later amended its rules to allow for such evidence as of right, but it curtailed that right in two ways. First, the USPTO provided petitioners the opportunity to seek leave to file a reply to the preliminary response, though it did not provide for the filing of such a reply as of right. 37 C.F.R. §§ 42.108(c), 42.208(c). Second, it implemented the presumption as a way of preserving the petitioner’s “right to challenge statements made by the patent owner’s declarant,” given that the short time frame for the preliminary stage of AIA proceedings “does not generally allow for cross-examination of a declarant before institution as of right, nor for the petitioner to file a reply brief as of right.” *Id.*; 81 Fed. Reg. 18750, 18755 (Apr. 1, 2016).

The USPTO appeared steadfast in its commitment to these curtailments, assuring the public that, “because a denial of institution is a final, non-appealable decision, deciding disputed factual issues in favor of the patent owner when a petitioner has not had the opportunity to cross-examine patent owner’s declarant is inappropriate and contrary to the statutory framework for AIA review.” *Id.* at 18756.



Now, four years later, the USPTO reports that the amended rules have caused “confusion.” As an example, it points to party and amici arguments provided for Precedential Opinion Panel review in *Hulu, LLC v. Sound View Innovations, LLC*, IPR2018-01039, in which stakeholders diverged on whether the presumption pertains to the issue of whether a document constitutes a printed publication. 85 Fed. Reg. at 31729. (This can be a critical determination in IPRs, where asserted grounds must be based on either patent literature or printed publications. 35 U.S.C. § 311(b).) The USPTO further notes its concern that the presumption has “discouraged” patent owners from filing testimonial evidence with their preliminary responses out of the belief that it “will not be given any weight at the time of institution.” 85 Fed. Reg. at 31729–730.

In a bid to remedy those concerns, the USPTO now proposes doing away with the presumption. Rather than applying it, the PTAB would simply take patent owners’ testimonial evidence into account as part of the totality of the evidence that it considers when deciding whether to institute. *Id.* at 31730.

Considerations for Patent Owners in Light of the Proposed Change

At first blush, patent owners may view elimination of the presumption as a welcome change that instantly enhances the appeal of testimonial evidence as a tool to bolster the preliminary response and prevent institution. Yet patent owners should not take for granted that this proposed change would enhance their odds of a successful defense before the PTAB—careful planning before institution will be more critical than ever.

Upon receiving a petition, patent owners who wish to file a preliminary response may consider whether it makes sense to submit testimonial evidence before institution. Presumption or not, PTAB judges may find it difficult to meaningfully rely on testimonial evidence that supports denying institution, because the testimony might then go unchallenged. See *OSI Pharms., LLC v. Arch Dev. Corp.*, IPR2016-01034, Paper 7 at 2–3 (citing the “standard practice of post-institution cross examination,” absent “special circumstances,” pursuant to 77 Fed. Reg. at 48757). Rather than depriving a petitioner of what the USPTO itself has described as its “right to challenge statements made by the patent owner’s declarant” (81 Fed. Reg. 18755), the PTAB might respond to persuasive testimonial evidence by granting the petitioner leave to file a preliminary reply, perhaps with a preliminary-stage deposition of the patent owner’s declarant (possibly limited in scope to certain genuine issues of material fact).

Rather than risking an outcome that gives the petitioner a second bite at the apple before the PTAB issues its decision on institution, patent owners might still be better off focusing their preliminary response on legal or procedural arguments that can carry the day without the need for testimonial support. PTAB caselaw is replete with examples, such as:

- *Valve Corp. v. Elec. Scripting Prods., Inc.*, IPR2019-00064, Paper 10 at 18 (precedential) (denial citing discretion under § 314(a));
- *Advanced Bionics, LLC v. MED-EL Elektromedizinische Geräte GmbH*, IPR2019-01469, Paper 6 at 22 (precedential) (denial citing discretion under § 325(d));
- *GoPro, Inc. v. 360Heros, Inc.*, IPR2018-01754, Paper 38 at 24 (precedential) (denial citing time bar under 35 U.S.C. § 315(a));
- *Adaptics Ltd. v. Perfect Co.*, IPR2018-01596, Paper 20 at 24 (informative) (denial citing failure to identify grounds with particularity under 35 U.S.C. § 312(a)(3));



- *Coal. for Affordable Drugs (ADROCA) LLC v. Acorda Therapeutics, Inc.*, IPR2015-00720, Paper 15 at 5 (denial citing failure establish “printed publication” status under 35 U.S.C. § 311(b)); and
- *Coal for Affordable Drugs XI LLC v. Insys Pharma, Inc.*, IPR2015-01799, Paper 9 at 11 (denial citing reliance on unsupported opinion testimony under 37 C.F.R. § 42.65(a)).

There are also other potential drawbacks to submitting testimonial evidence with a preliminary response. Chief among them is most patent owners’ desire to avoid locking declarants into positions too soon. This is particularly true in PTAB matters, where current (or future) patent-infringement plaintiffs are routinely torn between the competing needs to distinguish their claims from the prior art and to avoid making statements that could hinder their litigation positions on infringement, claim construction, and enablement.

Another potential risk of submitting testimonial evidence with the preliminary response is that it may prematurely tip the patent owner’s hand with respect to the identity and arguments of its declarants (absent parallel litigation). Consider the typical timeline for AIA trials: the preliminary response is due three months after the petition is accorded a filing date, the institution decision issues three months after the preliminary response was filed, the patent owner’s response is due three months after institution, and the petitioner’s reply is due one month after the patent owner’s response was filed.

Patent owners should take heed of the additional time that petitioners will have to refine arguments set forth in the petition if they submit testimonial evidence with their preliminary response rather than saving it for their (post-institution) response. If that testimonial evidence is the difference maker that prevents institution, then it may have been worth the risk. But if the preliminary response falls short with respect to even a single claim, that could result in:

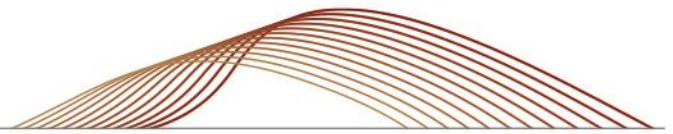
- At least three extra months for the petitioner to prepare its own declarants to be cross-examined on testimony submitted with the petition;
- At least six extra months for the petitioner to prepare to cross-examine patent owner’s declarants on testimony submitted with the patent owner’s response (where underlying opinions will likely echo, or at least be consistent with, opinions submitted with the preliminary response); and
- At least six extra months for the petitioner to hone in on and bolster alleged vulnerabilities in its petition, which may improve the effectiveness of petitioner’s reply.

During each of these periods, petitioners will also (unnecessarily) have had the benefit of the PTAB’s preliminary thinking on strengths and weaknesses of patent owners’ salient arguments. Patent owners may benefit from that preview as well, but it could come at a cost.

Should the USPTO implement this proposed rule change, patent owners may have some difficult decisions to make. To be sure, filing preliminary testimonial evidence may not always be a bad idea— but elimination of the presumption would not necessarily make it a good one.

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