

Overlooked PTAB Cases: Raising Nonobviousness Evidence

By **Rubén Muñoz, Jonathan Underwood and Caitlin Olwell** (March 8, 2021)

Objective evidence of nonobviousness traces its roots to 19th century case law from the U.S. Supreme Court.[1]

The analysis of such secondary considerations as commercial success, failure of others, and long-felt but unresolved needs, among others, solidified its place in the obviousness framework as one of the four factors enunciated in the 1966 *Graham v. John Deere Co.* decision.[2]

Yet, despite decades upon decades of patent litigation, questions remain regarding the proper sequence of presentation of this type of evidence in a patent dispute.[3]

This article focuses on how the Patent Trial and Appeal Board has dealt with objective evidence of nonobviousness in deciding whether to institute inter partes review and the implications for parties involved in IPR proceedings. Recent board decisions reveal when a petitioner must address this evidence in a petition and, conversely, when a patent owner should raise the evidence in a preliminary response.

The Graham Framework in Practice

Unquestionably, the burden of persuasion for proving obviousness lies with a patent challenger[4] — by clear and convincing evidence in district court litigation, and by preponderance of the evidence before the board in an IPR proceeding.[5]

While the assignment of the ultimate burden of proof is clear, there is debate as to whether a shifting burden of production should apply to the evidence under *Graham's* fourth factor: objective indicia of nonobviousness.[6]

This debate is fueled in part by the somewhat disparate nature of these objective indicia, which include various categories of evidence.[7] By its nature, some of this evidence may be readily available to a patent owner, e.g., licenses, while other evidence, e.g., copying, may be solely in the possession of a presumptive infringer.

Given that IPR proceedings are often filed while there is concurrent district court or U.S. International Trade Commission litigation, relevant evidence may already be in the possession of both parties at the time of filing an IPR petition or a patent owner preliminary response. But in other instances, such evidence may not be available to a party preinstitution, a period in which discovery is not a realistic option in an IPR.

A Petitioner's Dilemma

Under Title 35 of the U.S. Code, Section 312(a), the petitioner in an IPR must identify the grounds on which the challenges are based and the evidence offered in support. The patent owner may respond to the petition, i.e., by filing a preliminary response, before the board decides whether to institute review.



Rubén Muñoz



Jonathan Underwood



Caitlin Olwell

When it comes to objective evidence of obviousness, at this preliminary stage, the patent owner has a number of options to pursue in support of denial of institution. One strategy is to ask the board to exercise its discretionary powers under Sections 314(a) or 325(d) to deny institution if the petition fails to address properly an essential aspect of the obviousness inquiry.

Another strategy is to attack the merits of petitioner's challenge, arguing that the objective indicia evidence shows that the petitioner has failed to meet its reasonable likelihood burden under Section 314(a). But at the petition stage, the petitioner must fully set forth its obviousness grounds, all the while being potentially ignorant of the full extent of the objective evidence.

The question, then, is when has the board deemed it fair to require the petitioner to address evidence of objective indicia in the petition? Fairness turns on demonstrating awareness, the success of which is highly dependent on the source of the evidence offered.

Strategies

Petitioners should address objective indicia considered by the USPTO.

Generally, a petitioner should address objective indicia considered by the U.S. Patent and Trademark Office, such as during prosecution or reexamination.

But there is no blanket requirement to address anything and everything that a patent owner submits to the USPTO, as shown by the board's February decision granting institution in *W-W Manufacturing Co. v. Jager Pro Inc.*[8]

In this proceeding, the patent owner argued that evidence of commercial success, long-felt but unmet need, and industry praise was raised during prosecution, and that the petitioner was aware of it but had failed to address it.[9] The board rejected that argument because the evidence was not relied on by the examiner to allow the claims, thus the petitioner's omission was justified.[10]

By contrast, in the 2013 decision *Omron Oilfield & Marine Inc. v. MD/TOTCO*, the board did not institute obviousness challenges because the petitioner failed to address the evidence of significant commercial success that had been submitted during reexamination and found by the USPTO to overcome a prima facie case of obviousness.[11]

The board explained that the petitioner's argument that "evidence of secondary considerations will be unable to overcome the strong showing of obviousness" did not challenge the merits of that evidence and meant that the petitioner failed to show a reasonable likelihood of prevailing.[12]

Consistently with *Omron*, the board has faulted petitioners who fail to address objective indicia that an examiner relied on to find the claims patentable.[13]

Petitioners should address objective indicia that is fully developed in other proceedings or actions involving them.

A petitioner's obligation to address objective indicia is not cabined to prior consideration by the USPTO. A petitioner walks a dangerous line when it does not address evidence of objective indicia raised in prior Leahy-Smith America Invents Act proceedings, ITC

investigations or district court actions. The board will look closely at the timing, substance and procedural context of the omitted information when deciding whether to deny institution.

For instance, in the 2019 institution decision in *C.R. Bard Inc. v. Medline Industries Inc.*, the board declined to fault a petitioner for not addressing the content of unverified interrogatory responses served on the petitioner a few days prior to filing the petition.[14] The board explained that those answers were "not testimonial evidence of objective indicia." [15] Furthermore, the patent owner mentioned thousands of pages of documents with respect to objective indicia, yet none of those documents were put into the record in the IPR proceeding.[16]

Similarly, in the 2020 institution decision in *10X Genomics Inc. v. Bio-Rad Laboratories Inc.*, the board rejected a patent owner's contention that the petitioner was aware of objective indicia based on a prior litigation at the ITC.[17] While both the petitioner and the patent owner identified a parallel district court litigation as a related matter, neither party made any mention of an ITC complaint.[18] Furthermore, the patent owner gave no details about the previous litigation at the ITC and submitted no evidence to support its arguments.[19]

Thus, patent owners should recognize that attorneys' arguments and inadmissible evidence will not suffice for getting a discretionary denial — nor for demonstrating nonobviousness more generally.[20]

By way of contrast, if a patent owner can put forth admissible evidence to show that objective indicia were sufficiently developed well before filing the petition, then the petitioner may face an uphill battle.

For example, in denying institution of an IPR petition in the 2017 decision *Robert Bosch Tool Corp. v. SD3 LLC* for failing to show a reasonable likelihood of prevailing, the board explained why it was appropriate to include evidence of objective indicia in a merits assessment of the petitioned grounds.[21]

In *Bosch*, the petitioner and the patent owner had litigated the patent in an ITC investigation, but the ITC's initial determination had not issued at the time the IPR petition was filed.[22] The board noted that, before filing a petition, a petitioner may be unaware of the patent owner's evidence of objective indicia.[23]

But in the case at hand, the petitioner was aware of, and could have addressed, the evidence concerning nexus, long-felt need, skepticism, industry praise and commercial success because the ITC record had been fully developed several months before the petition was filed.[24]

Likewise, in the 2016 decision *Praxair Distribution Inc. v. Mallinckrodt Hospital Products Inc.*, the board declined to institute a petitioner's second IPR petition for failing to address unexpected results that were raised during both prosecution and in response to the petitioner's first IPR petition.[25]

The board explained that in the earlier IPR proceeding, it had found that the evidence of unexpected results was compelling evidence that the claims were not obvious and that the patent owner had made the same argument during prosecution.[26] Thus, even though the petitioner sought review based on different prior art, the second petition had the same fatal flaw as the first petition.[27]

Petitioners should address objective indicia if there is an extensive public record from third-party proceedings.

Even when the previous litigation over the patent was between a patent owner and a third party, the board has found it appropriate to oblige a petitioner to address evidence of objective indicia raised in that third-party litigation.

For example, in the 2017 decision *Semiconductor Component Industries LLC v. Power Integrations Inc.*, the board denied institution where the extensive litigation record included a jury verdict of nonobviousness that was affirmed by the U.S. Court of Appeals for the Federal Circuit expressly in light of the objective indicia.[28] The patent owner's evidence included commercial success, peer recognition and copying by others.[29]

The board concluded that "it was incumbent on Petitioner to address substantively such objective considerations," and in the absence of rebuttal evidence, the petition failed to meet the reasonable likelihood standard for institution.[30]

In the 2019 decision *Stryker Corporation v. KFx Medical LLC*, the board came to a similar conclusion when exercising its discretion to deny institution.[31] The patent owner and a third party had litigated the validity of the patent up to the Federal Circuit, and the patent owner had presented and prevailed with evidence of failure of others, long-felt need and commercial success.[32]

In the IPR at hand, the petitioner referenced various materials from that litigation, including the patent owner's responsive appeal brief.[33] As such, the board found that the evidence of objective indicia was known and should have been addressed; the patent owner proffered the evidence in its preliminary response, and the petitioner's failure to do so weighed in favor of discretionary denial under the factors stated in the 2018 *NHK Spring Co. v. IntriPlex Technologies Inc.* precedential board decision.[34]

Earlier this month, the board distinguished the situation in *Semiconductor*, which involved prior litigation of the challenged patent, from a situation in which a prior proceeding involved a parent patent. In *Liquidia Technologies Inc. v. United Therapeutics Corp.*,[35] the board did not find a petition "fatally deficient" for not substantively addressing objective evidence of nonobviousness.[36]

The claims of the parent patent had been found unpatentable in an earlier IPR, despite the patent owner's attempt to show nonobviousness through objective indicia evidence.[37] The board explained that the petition did not have to address that evidence because the evidence concerned a claim limitation present in the parent but not in the challenged patent.

Alternatively, because the evidence was found unpersuasive in the prior IPR, the board determined that the petitioner was not obliged to address it in the petition.[38]

Convincing the board that a petitioner should address purported objective indicia from publications and other public or private statements remains a tall task.

The board remains unlikely to give much weight to statements from other public sources when determining whether to impute knowledge to the petitioner. If there is doubt as to whether the petitioner was aware of the cited evidence of objective indicia, the board is generally inclined to let the record develop after institution.

The board's 2020 decision in *Flex Logix Technologies Inc. v. Konda* is instructive.[39] There, the patent owner pointed to publications authored over a decade ago by petitioner's co-founders that purported to show awareness of long-felt need, previous unsuccessful attempts and commercial success for a patented feature.[40] The board was unpersuaded, distinguishing the case from *Stryker* and *Bosch* where evidence of objective indicia from a prior proceeding established the petitioner's awareness.[41]

Similarly, in the 2018 decision *UPL Ltd. v. Agrofresh Inc.*,[42] a patent owner failed to convince the board that an email by an employee of the petitioner praising the patented technology — and offered by the patent owner as evidence of "long-felt need, unexpected results, and expected commercial success" — was sufficient to support denial of institution.

Instead, the board noted that because the petitioner had not had an opportunity to address patent owner's contentions, it would allow a full trial record to develop post-institution and only then consider any merits dispute.[43]

For the board to consider patent owners' objective indicia evidence at the institution stage, patent owners must demonstrate nexus.

The board's 2020 decision in *Snap Inc. v. SRK Technology LLC*,[44] designated precedential for its analysis of the factors derived from the board's 2020 *Apple Inc. v. Fintiv Inc.* decision,[45] highlights the need for a patent owner to show a nexus between the patent and the evidence of objective indicia at the preinstitution stage.

In *Snap*, the patent owner sought to leverage its responses to interrogatories from a parallel district court proceeding — made months before the petition was filed — and the fact that the petition did not address objective indicia.[46]

The patent owner contended that the petitioner's documents and activities, including U.S. Securities and Exchange Commission filings, marketing materials and patent prosecution, as well as industry praise for the petitioner's product, were evidence of commercial success and unexpected results.[47]

But the board found that the patent owner had not shown how the petitioner's products were coextensive with the challenged claims.[48] As such, the patent owner was not entitled to a presumption of nexus between the evidence and the invention, and the board instituted review.[49]

Conclusion

A petitioner's failure to address objective evidence of nonobviousness may result in denial of IPR institution. This is true even if the petitioner could have otherwise shown a reasonable likelihood that the challenged claims were unpatentable based on the first three Graham factors.

Thus, petitioners are well advised to address in a petition for IPR the objective evidence that was fully developed previously — whether in the initial prosecution, a reexamination, a prior proceeding before the board, an ITC investigation or a district court litigation.

Conversely, patent owners seeking denial of institution based on objective evidence of nonobviousness should, as a first step, consider whether that evidence has already been sufficiently developed. If not, the patent owner should likely focus its efforts elsewhere to seek denial. But even if it is, the patent owner should not overlook the need to provide

admissible evidence and establish nexus between the objective evidence and the claimed invention.

Rubén Muñoz is a partner, and Jonathan Underwood and Caitlin Olwell are counsel, at Akin Gump Strauss Hauer & Feld LLP.

The opinions expressed are those of the author(s) and do not necessarily reflect the views of the firm, its clients, or Portfolio Media Inc., or any of its or their respective affiliates. This article is for general information purposes and is not intended to be and should not be taken as legal advice.

[1] Smith v. Goodyear Dental Vulcanite Co. , 93 U.S. 486 (1876).

[2] Graham v. John Deere Co. of Kansas City , 383 U.S. 1 (1966).

[3] See, e.g., *Amarin Pharma, Inc., et al. v. Hikma Pharm. USA Inc.* , 819 F. App'x 932 (Fed. Cir. 2020) (Rule 36 affirmance), petition for cert. filed (U.S. Feb. 11, 2021) (No. 20-1119) (asking the Supreme Court to decide "[w]hether a court must consider objective indicia of nonobviousness together with the other factors bearing on an obviousness challenge before making any obviousness determination").

[4] See *In re Magnum Oil Tools Int'l, Ltd.* , 829 F.3d 1364, 1375-76 (Fed. Cir. 2016) ("The burden of persuasion is the ultimate burden assigned to a party who must prove something to a specified degree of certainty, such as by a preponderance of the evidence or by clear and convincing evidence" and "the ultimate burden of persuasion of obviousness must remain on the patent challenger.") (internal citations and quotation marks omitted).

[5] *Aylus Networks, Inc. v. Apple Inc.* , 856 F.3d 1353, 1361 (Fed. Cir. 2017) ("[U]npatentability in an IPR must be established by a preponderance of the evidence whereas invalidity in a district court must be established by clear and convincing evidence.") (citing *Cuozzo Speed Techs., LLC v. Lee* , 136 S. Ct. 2131, 2143-44 (2016)).

[6] See, e.g., *Amarin*, supra note 3.

[7] Examples of objective indicia include commercial success of a product that embodies the patented technology; licenses to the patent; copying of the technology by others; long-felt but unsolved need; failure of others; a lack of contemporaneous inventions; skepticism of skilled artisans before the invention; industry praise; unexpected results or properties of the invention; and the ease with which the patent application progressed through the Patent Office. See, e.g., MPEP §§716.01-06, 2145; *Graham*, 383 U.S. at 17-18; *United States v. Adams* , 383 U.S. 39, 52 (1966) ("[I]n a crowded art replete with a century and a half of advancement, the Patent Office found not one reference to cite against the [inventor's] application.").

[8] IPR2020-01470, Paper 13 at 49 & n.12 (PTAB Feb. 18, 2021).

[9] *Id.* at 49.

[10] *Id.* at 49 n.12.

[11] IPR2013-00265, Paper 11 at 12-16 (PTAB Oct. 31, 2013).

[12] Id. at 16.

[13] See, e.g., *Merial Ltd. v. Virbac*, IPR2014-01279, Paper 13 at 27 (PTAB Jan. 22, 2015) ("[Petitioner] was aware of the unexpected results ... which the Examiner found persuasive [Petitioner] should have addressed unexpected results in the first instance."); *Coalition for Affordable Drugs V LLC v. Hoffman-LaRoche, Inc.*, IPR2015-01792, Paper 14 at 18 (PTAB Mar. 11, 2016) ("[Petitioner] should have addressed the evidence of unexpected results [relied upon by the examiner] as part of Petitioner's showing of a reasonable likelihood of success on the merits."); see also *Gilead Scis., Inc. v. United States*, IPR2019-01453, Paper 14 (PTAB Feb. 20, 2020).

[14] IPR2019-00208, Paper 21 at 9-11 (PTAB June 6, 2019).

[15] Id.

[16] Id.

[17] IPR2020-00088, Paper 8 at 42 (PTAB Apr. 27, 2020).

[18] See id. at 3, 42.

[19] Id. at 42.

[20] See PTAB Rules of Practice for Instituting on All Challenged Patent Claims and All Grounds and Eliminating the Presumption at Institution Favoring Petitioner as to Testimonial Evidence, 85 Fed. Reg. 79120, 79125, Response to cmt. 16 (Dec. 9, 2020) ("Testimony [on objective indicia] must still disclose the underlying facts and data upon which it relies, or it will be entitled to little weight." (citing 37 C.F.R. §42.65(a))).

[21] IPR2016-01751, Paper 15 at 22-25 (PTAB Mar. 22, 2017).

[22] Id. at 25 n.8 (noting that the ITC hearing took place in May 2016, the IPR petition was filed on September 14, 2016, and the ITC initial determination issued on September 29, 2016).

[23] Id. at 23.

[24] Id. at 25.

[25] IPR2016-00777, Paper 10 at 8-10 (PTAB Sept. 22, 2016).

[26] Id. at 9.

[27] Id. at 10.

[28] IPR2016-01588, Paper 15 at 25-26, 28 (PTAB Feb. 17, 2017).

[29] Id. at 26.

[30] Id. at 28-29.

[31] IPR2019-00817, Paper 10 (PTAB Sept. 16, 2019).

[32] Id. at 7-8.

[33] Id. at 28.

[34] Id. at 23, 27-29 (discussing *NHK Spring Co. v. Intri-Plex Techs., Inc.*, IPR2018-00752, Paper 8 (PTAB Sept. 12, 2018) (precedential)).

[35] IPR2020-00770, Paper 14 at 8 (PTAB Mar. 1, 2021) (denying patent owner's request for rehearing of decision on institution).

[36] The petition stated that the patent owner "has not identified any evidence of secondary indicia of nonobviousness," thus "there is no objective evidence of non-obviousness that might warrant a finding that the Petitioned Claims are patentable." IPR2020-00770, Paper 1 at 75 (Mar. 30, 2020).

[37] Id., Paper 14 at 7-8.

[38] Id. at 8. The board went on to explain that the patent owner's evidence was also unpersuasive on the pre-institution record, and that the parties could explore the evidence post-institution. Id. at 8-9.

[39] IPR2020-00260, Paper 22 (PTAB Aug. 3, 2020).

[40] Id., Paper 8 at 50-54 (May 6, 2020).

[41] Id., Paper 22 at 23.

[42] IPR2017-01919, Paper 8 at 35-36 (PTAB Mar. 7, 2018).

[43] Id. at 36.

[44] IPR2020-00820, Paper 15 (PTAB Oct. 21, 2020) (precedential-in-part).

[45] *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020) (precedential). In *Snap*, the patent owner argued that under *Fintiv*'s "other circumstances" factor, discovery into objective indicia should be conducted in a parallel district court proceeding and therefore denial was warranted. See *Snap*, IPR2020-00820, Paper 15 at 16-18. The board rejected the argument, explaining that the rules allow a party to move for discovery post-institution. Id. at 17-18.

[46] *Snap*, IPR2020-00820, Paper 9 at 41-42 (July 24, 2020).

[47] Id., Paper 15 at 46-48.

[48] Id. at 48-49 (discussing *Fox Factory, Inc. v. SRAM, LLC*, 944 F.3d 1366 (Fed. Cir. 2019)).

[49] Id. at 49; see also *W-W Mfg.*, IPR2020-01470, Paper 13 at 53 (finding no presumption of nexus where the patent owner had not provided information such as a product brochure, photograph, drawing of the product for comparison with the claims, or other analysis such as a claim chart).