

# Secondary Considerations at the PTAB: Combating Obviousness Challenges, Establishing Nexus

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# Secondary Considerations at the PTAB

Combating Obviousness Challenges,  
Establishing Nexus

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June 14, 2018



# Yes, it's Flag Day!



# Overview

- I. Background on Secondary Considerations
- II. Secondary Considerations at the PTAB
- III. CAFC Treatment of Secondary Considerations in PTAB Appeals
- IV. Practice Tips

# Background on Secondary Considerations

# Secondary Considerations – Origin and Purpose

- Originated in *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 17-18 (1966)
  - “Such secondary considerations as commercial success, long felt but unsolved needs, failure of others, etc., might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented. As indicia of obviousness or nonobviousness, these inquiries may have relevancy.”
- Secondary considerations provide “powerful tools for courts faced with the difficult task of avoiding subconscious reliance of hindsight.” *Mintz v. Dietz & Watson Inc.*, 679 F.3d 1372, 1378 (Fed. Cir. 2012).



# Secondary Considerations – Proper Consideration

- Whether before the Board or a court, consideration of objective indicia is part of the whole obviousness analysis, not just an afterthought. *See Leo Pharm. Prods., Ltd. v. Rea*, 726 F.3d 1346, 1358 (Fed. Cir. 2013).
- The evidence must be of sufficient weight to override a *prima facie* determination of obviousness. *Ryko Mfg. Co. v. NuStar, Inc.*, 950 F.2d 714, 719 (Fed. Cir. 1991).
- Evidence of secondary considerations “may often be the most probative and cogent evidence of nonobviousness in the record.” *Ortho–McNeil Pharm. v. Mylan Labs., Inc.*, 520 F.3d 1358, 1365 (Fed. Cir. 2008).

# Nexus & Commensurate in Scope

- Whether at the PTAB or the District Court, nexus is the key to secondary considerations.
- Evidence must demonstrate that the claimed invention is the driving force behind the alleged secondary consideration.
- Secondary considerations must be reasonably commensurate with the scope of the claims.
- E.g., If one embodiment of a claim is shown to have unexpected results, need a showing that other embodiments within the scope of the claim behave similarly.

# Secondary Considerations

- Commercial Success
- Unexpected Results
- Commercial Acquiescence Through Licensing
- Long-Felt but Unmet (or Unsolved) Need
- Failure of Others
- Skepticism and Praise
- Copying
- Simultaneous Invention

# Commercial Success



- Commercial success must be attributable to the claimed invention rather than to other unrelated factors such as advertising or unclaimed features of the product. *See, e.g., In re Paulsen*, 30 F.3d 1475, 1482 (Fed. Cir. 1994).
- Relevant factors include profitability of the product, displacement of other products in the marketplace, market share, and whether the product has met internal performance goals.

# Unexpected Results and Licensing

- Unexpected results must be commensurate in scope with the claims and include comparison to the closest prior art. *See, e.g., In re Grasselli*, 713 F.2d 731, 743 (Fed. Cir. 1983) and *In re De Blauwe*, 736 F.2d 699, 705 (Fed. Cir. 1984).
- Licensing of the patent is relevant where a number of companies paid substantial licensing fees for a patented technology involving a “vast majority” of products sold in that space. *See, e.g., WMS Gaming Inc. v. International Game Technology*, 184 F.3d 1339, 1344 (Fed. Cir. 1999)



# Long-Felt But Unsolved Need and Failure of Others



- Long-felt need must be recognized by those skilled in the art and exist at the filing date of the patent. *See, e.g., P & G v. Teva Pharms, USA, Inc.*, 566 F.3d 989 (Fed. Cir. 2009).
- Satisfaction of the long-felt need must be part of the claimed invention. *See, e.g., Sjolund v. Musland*, 847 F.2d 1573, 1582 (Fed. Cir. 1988).
- Failure of others after the time of invention or filing date of the patent is not relevant. *See, e.g., Medpointe Healthcare, Inc. v. Hi-Tech Pharmacal Co.*, 115 F. App'x 76, 79 (Fed. Cir. 2004).



# Skepticism and Praise; Copying

- Must be evidence of actual skepticism directed to whether the claimed invention would work in general, not to whether the invention was better suited to solve the problem compared to other inventions already in existence. *Dow Jones & Co. v. Abilene Ltd.*, 606 F.3d 1338, 1352 (Fed. Cir. 2010).
- “Our case law holds that copying requires evidence of efforts to replicate a specific product, which may be demonstrated through internal company documents, direct evidence such as disassembling a patented prototype, photographing its features, and using the photograph as a blueprint to build a replica, or access to the patented product combined with substantial similarity to the patented product.” *Wyers v. Master Lock Co.*, 616 F.3d 1231 (Fed. Cir. 2010).
- Evidence of copying by itself generally insufficient. *See, e.g., Ecolchem, Inc. v. Southern California Edison Co.*, 227 F.3d 1361, 1380 (Fed. Cir. 2000).



# Simultaneous Invention

- May support a finding of obviousness
- This evidence is probative of the level of knowledge of those of ordinary skill in the art. See, e.g., *In re Merck & Co., Inc.*, 800 F.2d 1091, 1098 (Fed. Cir. 1986).



# Secondary Considerations at the PTAB

# Secondary Considerations at the PTAB

- Petitioner always has ultimate burden of proving unpatentability, but Patent Owner bears the burden of production as to secondary considerations.
- Historically there has been a very low success rate (<5%) at the PTAB in overcoming obviousness challenges through evidence of secondary considerations.
- The final written decision in *Bottling Cap LLC v. Crown Packaging Technology, Inc.*, IPR2015-01651 (PTAB Jan. 19, 2017) is an instructive example on how to succeed on secondary considerations at the PTAB.
- Prior to *Bottling Cap*, we found record of six successful cases.

# Common Pitfalls at the PTAB

- Failure to establish nexus - *Kyocera Corp. and Motorola Mobility, Inc. v. Softview, LLC* IPR2013-00007 and IPR2013-00256.
- Failure to compare claimed invention to closest prior art for arguments of unexpected results and/or failure by others.
  - See, e.g., *Micron Tech, Inc. v. Board of Trustees of the Univ. of Ill.*, IPR2013-00005, -00006, -00008; *Illumina, Inc. v. The Trustees of Columbia Univ. in the City of N.Y.*, IPR2012-00006, -00007, -00011.

# Successes Prior to *Bottling Cap*

- *Innopharma Licensing, Inc. v. Senju Pharmaceutical Co., Ltd.*, IPR2015-00902, Paper 90 (PTAB July 28, 2016).
- *Intri-Plex Techs., Inc. v. Saint-Gobain Performance Plastics Rencol Ltd.*, IPR2014-00309, Paper 83 (PTAB Mar. 23, 2015)
- *Phigenix, Inc. v. Immunogen, Inc.*, IPR2014-00676, Paper 39 (PTAB Oct. 27, 2015)
- *Omron Oilfield & Marine Inc. v. MD/TOTCO*, IPR2013-00265, Paper No. 11 (PTAB Oct. 31, 2013)



# *Bottling Cap LLC v. Crown Packaging Technology, Inc.*, IPR2015-01651 (PTAB Jan. 19, 2017)

- Claimed bottle caps formed from thinner materials with increased hardness – allowed for caps with reduced thickness.
- Primary reference disclosed a cap with all the claimed features except use of a material with a particular hardness. Additional prior art demonstrated a “trend” in the industry toward using thinner, but harder, caps.
- PTAB determined that the “differences between the prior art and the claimed invention are minimal” and the prior art appeared to provide a motivation to arrive at the claimed invention.
- PO submitted evidence of commercial success, industry praise, and copying.



# *Bottling Cap LLC v. Crown Packaging Technology, Inc.*, IPR2015-01651 (PTAB Jan. 19, 2017)

- Nexus
  - PO presented inventor testimony on how the product (caps) met each claim element. Established that the claimed invention was not just a subcomponent of the product, but was the whole product.
  
- Commercial success
  - PO demonstrated commercial success of the caps by relying on evidence of market share growth in Peru.

# *Bottling Cap LLC v. Crown Packaging Technology, Inc.*, IPR2015-01651 (PTAB Jan. 19, 2017)

- Industry Praise
  - Press-release from a major customer who praised the design of the cap; Caps received industry awards; Government praise for environmental impact.
- Copying
  - PTAB rejected PO's copying argument.
- PTAB concluded that "there was a technical reason why the industry trend stalled."

# *Bottling Cap – Takeaways*

- Consider arguing multiple secondary considerations.
- Map commercial product or method to establish nexus.
- Focus on market share for establishing commercial success.
- Point to a technical reason why the industry had stalled.



# Successes After *Bottling Cap*

- *Varian Medical Systems v. William Beaumont Hospital*, (IPR2016-00162, Paper 69; IPR2016-00166, Paper 69; IPR2016-00170, Paper 69; IPR2016-00171, Paper 81 (PTAB May 4, 2017))
  - PTAB found that the prior art disclosed the elements of the claims, but secondary considerations were enough to overcome obviousness.
  - PO argued industry praise, long-felt but unmet need, commercial success, and copying. PTAB assigned a strength to each one.
  - Nexus – overwhelming evidence.
  - Industry praise – very strong evidence.
  - Commercial success – moderately strong.
  - Copying – moderately strong.

# Successes After *Bottling Cap*

- *Fox Factory, Inc. v. SRAM, LLC*, IPR2016-01876, Paper 59 (PTAB Apr. 2, 2018)
  - Patent directed to solitary bicycle chainring for use with a conventional chain and multi-speed rear cassette.
  - Board determined that the evidence weighed slightly in favor of modifying the primary reference in view of the secondary reference.
  - Nexus – PO argued presumption of nexus because the claims covered the various products.





# Successes After *Bottling Cap*

- *Fox Factory, Inc. v. SRAM, LLC*, IPR2016-01876, Paper 59 (PTAB Apr. 2, 2018)
  - Commercial success – strong evidence.
  - Licensing and Copying – little weight, underdeveloped.
  - Industry praise and Skepticism – favored non-obviousness.
  - Long-felt, unresolved need – strongly credited.

# CAFC Treatment of Secondary Considerations in PTAB Appeals

# *South Alabama Medical Science Foundation v. Gnosis S.p.A.*, 808 F.3d 823 (Fed. Cir. 2015)

- Claims directed to methods and a composition related to administering the “natural” stereoisomer of L-5-MTHF and other vitamins to treat symptoms associated with folate deficiency.
- Court found that substantial evidence supported the Board’s determination of obviousness.
- Did PTAB properly evaluate PO’s evidence of secondary considerations?

# *South Alabama Medical Science Foundation –* PTAB's Erroneous Treatment of Licensing Evidence

- The Board discounted PO's licensing evidence because it failed to show a nexus between the claimed inventions and the licensed products.
- Federal Circuit - "the relevant inquiry is whether there is a nexus between the patent and the licensing activity itself, such that the factfinder can infer that the licensing 'arose out of recognition and acceptance of the subject matter claimed' in the patent."
- Nevertheless, the court affirmed the Board's obviousness determination because the evidence of licensing alone could "not overcome the strong evidence of obviousness found in the prior art and the expert testimony."

# *PPC Broadband, Inc. v. Corning Optical Communications RF, LLC*, 815 F.3d 734 (Fed. Cir. 2016)

- In the IPRs, PPC Broadband presented evidence of secondary considerations, including evidence of long-felt but unresolved need, failure of others, copying, and commercial success.
- The court found that substantial evidence supported the Board's conclusion that long-felt but unresolved need, failure of others, and copying did not overcome the strong obviousness challenge.
- Remanded on commercial success.

# *PPC Broadband, Inc. v. Corning Optical Communications RF, LLC*, 815 F.3d 734 (Fed. Cir. 2016)

- “Because the evidence shows that the [product is] ‘the invention disclosed and claimed in the patent,’ we presume that any commercial success of these products is due to the patented invention . . . This is true even when the product has additional, unclaimed features. This presumption does not apply in the *ex parte* context, where the PTO cannot gather evidence supporting or refuting the patentee's evidence of commercial success . . . It does, however, apply in contested proceedings such as IPRs, where the petitioner has the means to rebut the patentee's evidence.” *Id.* at 747.



# *Polaris Indus. v. Arctic Cat, Inc.,*

*882 F.3d 1056 (Fed. Cir. 2018)*

- The court vacated obviousness finding of certain claims - determined that the Board relied on impermissible hindsight in its obviousness analysis – did not consider a teaching away argument and considered instead what a POSA could have done in view of the art, not what would have done.
- The court remanded to the Board further consideration of undisputed evidence from PO regarding commercial success.
- Where a party submits undisputed evidence of a nexus, the Board must articulate some reason why the evidence does not deserve a presumption of a nexus.

# Practice Tips

# Practice Tips – Patent Owners

- When should you introduce evidence of secondary considerations?
- POPR?
  - Some parties have been successful here.
    - *Omron Oilfield & Marine Inc. v. MD/TOTCO*, IPR2013-00265, Paper No. 11 (PTAB Oct. 31, 2013); *Robert Bosch Tool Corp. v. SD3, LLC*, IPR2016-01753, Paper 15 (PTAB Mar. 22, 2017) (Denied institution where POPR submitted findings from ITC where secondary considerations were persuasive); *Coalition for Affordable Drugs V LLC v. Hoffman-LaRoche Inc.*, IPR2015-01792, Paper 14 (PTAB Mar. 11, 2016) (denying institution when prosecution history contained evidence of unexpected results).
  - In other cases, the Board has instituted even in view of evidence of unexpected results to allow for full development of the record during trial.
    - *See, e.g., Eli Lilly & Co. v. The Trustees of the Univ. of Pa.*, IPR2016-00458, Paper 7 (PTAB Jul. 14, 2016); *Umicore AG & Co. KG v. Basf Corp.*, IPR2015-01124, Paper 8 (PTAB Nov. 2, 2015); *Mylan Pharms., Inc. v. Allegan, Inc.* IPR2016-01129 (PTAB Dec. 8, 2016) (instituted IPR despite the prosecution history containing expert declarations affirming presence of unexpected results – experts had not been subject to cross-examination)

# Practice Tips – Patent Owners

- When should you introduce evidence of secondary considerations?
- Wait until Patent Owner's Response?
  - Petitioner always has ultimate burden of proving unpatentability, but Patent Owner bears the burden of production as to secondary considerations to demonstrate non-obviousness.
- Consider including secondary considerations during prosecution and/or in specification
  - Can increase burden on Petitioner as they will likely have to address secondary considerations in the Petition – eats up word count; may require the need for numerous experts.

# Practice Tips – Patent Owners

- Focus on Establishing Nexus
  - Map commercial product or method to the elements of the claim.
  - Argue a presumption of nexus if products or methods embody, and are coextensive with, the claimed invention.
  - Demonstrate that the evidence is commensurate in scope with the claims.
  - Argue that claimed invention overcame technical reason(s) industry had stalled – turned motivation for obviousness into evidence that industry had stalled.
- Should you throw everything at the wall to see what sticks, or just focus on a few stronger arguments?

# Practice Tips – Petitioners

- Address in the Petition any secondary considerations raised during prosecution and/or in the specification.
- Use experts for rebutting secondary considerations.
- Attack the alleged nexus and whether the secondary consideration is commensurate in scope.
  - Can the secondary consideration be attributed to unclaimed feature or component of the product or method?

# Practice Tips – Petitioners

- Attack evidence for each specific secondary consideration presented by PO.
  - Failure to challenge could lead to a presumption of nexus, etc.
  - Commercial success – challenge the market share
  - Copying – any evidence of actual copying?
  - Unexpected results – compared to the closest prior art?
- Ask for discovery of relevant documents (e.g., commercial success, etc.)?
  - “Additional discovery” is tough at the PTAB – have to satisfy the Garmin factors.

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# Thank you



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