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IPR: THE "R" IS FOR "REVIEW" (MORE THAN "REEXAMINATION")

Regarding an IPR (*Inter Partes* Review) as less of a patent-reexamination process and more of a petition-review proceeding will make for stronger petitions requesting review and crisper responses opposing institution. Either way, appreciating the difference will increase your IPRiQ.

The burden to show patentability never shifts to the patent owner in an IPR.

Unlike the initial examination of a patent application, the burden to show patentability never shifts to the patent owner in an IPR. In *Magnum Oil Tools Int'l*, the Federal Circuit confirmed this when it overturned the Patent Trial and Appeal Board's obviousness finding because the Board improperly shifted the burden from the petitioner to the patent owner to show that the challenged patent was obvious.[1]

Procedural burden shifting is a standard part of the initial evaluation ("prosecution") of a patent application. When the Patent Office carries its burden to show that the claimed invention is obvious, the burden to rebut that showing shifts to the applicant.[2] Logically, the Patent Office must ensure that the application satisfies all necessary statutory requirements before granting a patent. Consistently, *Magnum* confirmed that "a burden-shifting framework makes sense in the prosecution context, where the *prima facie* case furnishes a procedural tool of patent examination, allocating the burdens of going forward as between examiner and applicant."[3]

But not so in an IPR. The Federal Circuit soundly confirmed that neither the burden of persuasion nor the burden of production shifts during *inter partes* review: "In an *inter partes* review, the burden of persuasion is on the petitioner to prove" unpatentability by a preponderance of the evidence, "and that burden never shifts to the patentee."[4] The Court **rejected** the Patent Office's argument that the burden of production (of going forward with evidence) shifts to the patent owner as soon as—and because—the Board institutes an IPR: "We thus disagree with the PTO's position that the burden of production shifts to the patentee upon the Board's conclusion in an institution decision that there is a reasonable likelihood that the petitioner would prevail."[5]

1. *In re Magnum Oil Tools Int'l, Ltd.,* 829 F.3d 1364, 2016 U.S. App. LEXIS 13461 (Fed. Cir. 2016).
2. *In re Jung,* 637 F.3d 1356, 1365 (Fed. Cir. 2011).
3. *Magnum Oil Tools,* 2016 U.S. App. LEXIS 13461 at *15-16 (internal quotations and citations omitted).
4. *Id.* at *15 (quotation omitted).
5. *Id.* at *18 (internal quotation and citation omitted).

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Why not?

The Federal Circuit explained that "the Supreme Court has never imposed nor even contemplated a formal burden-shifting framework in the patent litigation context" and where "the only question presented is whether due consideration of the four Graham factors renders a claim or claims obvious," no burden shifts from the patent challenger to the patentee.[6]

The Court cited the *adjudicatory* nature of an *inter partes* review to support its holding that burden shifting was inapplicable: the "burden-shifting framework does not apply in the adjudicatory context of an IPR."[7] Interestingly, a similar argument did not get as much traction at the Supreme Court in *Cuozzo*.[8]

"Thus, the Court found no support for the PTO's position that the Board was free to adopt arguments on behalf of a petitioner that could have been, but were not, raised by the petitioner during an IPR."

There, Cuozzo expressly argued that the purpose of *inter partes* review was "to modify the previous reexamination procedures and to replace them with a 'trial, adjudicatory in nature.'"[9] Although the context for the Supreme Court declining to embrace that position related to a different issue (settling the proper claim-construction standard in an IPR), it did nevertheless state: "The problem with Cuozzo's argument, however, is that, in other significant respects, inter partes review is less like a judicial proceeding and more like a specialized agency proceeding" and "the purpose of the proceeding is not quite the same as the purpose of district court litigation."[10]

Thus, at least the Supreme Court is not convinced that Congress meant *inter partes* review proceedings to have a different basic purpose from the earlier *inter partes* reexamination procedure. Even so, the Federal Circuit's second key takeaway will shape the prudent practitioner's petition.

The Board may review only arguments in the petition (and cannot set forth its own).

Prior to *Magnum*, the Patent Office presumed that the Board could make an obviousness argument on behalf of a petitioner if the argument "could have been included in a properly-drafted petition."[11] That is incorrect. It "is the *petitioner* that bears the burden of proof in IPRs[.]"[12]

Yes, the IPR process is designed to be an efficient way to challenge patents, but "it is still a system that is predicated on a petition followed by a trial in which the petitioner bears the burden of proof."[13] Thus, the Court found no support for the PTO's position that the Board was free to adopt arguments on behalf of a petitioner that could have been, but were not, raised by the petitioner during an IPR. "Instead, the Board must base its decision on

6. *Id.* at *15-16 (internal citations omitted).
7. *Id.* at *16.
8. *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2143 (U.S. 2016).
9. *Id.* at 2143.
10. *Id.* at 2144.
11. *Magnum Oil Tools,* 2016 U.S. App. LEXIS 13461 at *29.
12. *Id.* (emphasis added).
13. *Id.* at *30.

arguments that were advanced *by a party*, and to which the opposing party was given a chance to respond."[14]

In IPRs, the *petitioner* must demonstrate obviousness. The PTO does have broad authority to establish procedures for revisiting earlier-granted patents in IPRs, but "that authority is not so broad that it allows the PTO to raise, address, and decide unpatentability theories never presented by the petitioner and not supported by record evidence."[15]

Because the Patent Office may not properly consider any arguments or evidence outside of the petition, the petition must stand on its own.

"The Patent Office's 'authority is not so broad that it allows the PTO to raise, address, and decide unpatentability theories never presented by the petitioner and not supported by record evidence' in an IPR."

Conclusions

Before July 2016, practitioners may have thought that patent owners might have to prove nonobviousness at some point during an IPR, or that the Board could rely on arguments outside of the petition.[16] That is not so.

Wise IPR petitioners will:

- Prepare petitions that independently include sufficient argument and evidence for the Board to find challenged claims invalid.
- Appreciate that at all times, it is their burden to show unpatentability.
- Avoid relying on cross-citing arguments that should be independently made.
- Ensure that they themselves set forth a *prima facie* case of anticipation or obviousness in the petition.

Wise patent owners will:

- Avoid leaping to show nonobviousness before evaluating whether the petition sets forth a *prima facie* case of invalidity.
- Argue when appropriate that the petitioner has not carried its burden.
- Rebut properly made arguments.
- Constrain the Board to limit its review to only the arguments and evidence set forth in the petition.

14. *Id.* (emphasis added).
15. *Id.* at *31.
16. Or other proper portions of the record, such as, potentially, the patent owner's preliminary response, opposition, etc.