

Expert Testimony Not Helping IP Owners Avoid AIA Review

By **Matthew Bultman**

Law360, New York (March 8, 2017, 7:38 PM EST) -- Almost one year has passed since new rules allowed patent owners to present expert testimony in their responses to America Invents Act review petitions, and the early results are in: The change has had little impact on the outcome of Patent Trial and Appeal Board decisions about whether to institute review.

RPX Corp. recently compiled data examining institution decisions at PTAB since the rule change went into effect in May. The numbers provide an initial snapshot of the effect the submission of testimonial evidence with a patent owner's preliminary response has on board decisions.

What the data show might be a bit of a surprise. PTAB has instituted review of challenged claims at almost exactly the same rate in cases whether patent owners do or do not include expert testimony with their responses.

"There's really in the aggregate almost no impact of submitting testimonial evidence with the [patent owner preliminary response]," RPX intellectual property counsel Steven Chiang said during a panel discussion at a PTAB Bar Association conference earlier this month.

Under the old rules, petitioners were allowed to include an expert declaration in their petition for review, but patent owners could not include one in their preliminary response. This led some patent owners to complain that the AIA review process gave petitioners an advantage.

In response to the criticism, the U.S. Patent and Trademark Office began allowing patent owners to submit new testimonial evidence with their preliminary responses. PTAB's chief judge, David Ruschke, highlighted the change in a call with reporters in August.

"That's a tangible, real example of the USPTO responding to stakeholders and putting in place new rules that improve the opportunities patent owners have to put their views forward during the proceeding," he said at the time.

Still, there has been some speculation about how many patent owners would actually take advantage of the change and what kind of impact it would have on the board's institution decisions. RPX's numbers show the effect hasn't been as significant as some might have thought.

According to the data, patent owners have submitted a preliminary response to a petition in almost 700

of the 1,135 cases in which an institution decision was issued following the rule change. Approximately 42 percent of those responses included testimonial evidence.

In cases where evidence was included with the response, the board instituted review of all the challenged claims about 50 percent of the time. Review of some claims was instituted in 13 percent of the cases.

Institution rates in cases where the patent owner opted not to include expert testimony in the initial response were almost identical: review of all challenged claims was instituted 50 percent of the time, and review of some claims was instituted in 12 percent of the cases.

“We expected to see somewhat of a different impact on institution outcomes,” Chiang said. “But as you can see here ... the difference is statistically negligible.”

One explanation might be that patent owners are still figuring out how to best utilize their new opportunity. Attorneys also pointed to an important caveat in the rule, which says that for the purposes of institution, issues created by testimonial evidence will be resolved in favor of the petitioner.

“It’s like summary judgment in a district court — the board is resolving all disputes in favor of the petition,” said Wayne Stacy, a partner at Baker Botts LLP. “In other words, they’re not going through a fully evidentiary hearing at that point in time.”

For a patent owner, that means using an expert to go head-to-head with a petitioner’s expert on factual issues likely won’t help them avoid institution.

“Generally speaking, if the patent owner's witness is just contradicting the petitioner’s witness ... then the PTAB would tend to order trial because that difference of opinion demonstrates the existence of a genuine issue of material fact,” said Scott Kamholz, of counsel at Covington & Burling LLP and a former PTAB judge.

There are also some trade-offs that come with submitting expert testimony with a response. One of the most frequently cited is the idea that patent owners will give the other side insight into their theory of the case, tipping off the petitioner's expert about what will be asked at a future deposition.

“If you believe that’s the case for your particular proceeding or you believe that’s the case generally, you’re not going to want to do anything to tip your cards,” Fenwick & West LLP partner Darren Donnelly said.

Which begs the question, When would a patent owner actually want to include expert testimony?

While there is no blanket answer, attorneys said that generally speaking, testimonial evidence might be used to highlight holes in the petition. That means the patent owner finds gaps in the petitioner’s case, then uses an expert to show why that gap is significant.

But even then, Kamholz said, patent owners might reasonably choose to go with attorneys' argument.

“It’s very much a weighing of a lot of factors,” Kamholz said. “If you put an expert declaration in, it may just signal to the board that what we really need here is a trial.”

Given the rule change is still quite new, it remains to be seen what impact, if any, the submission of expert testimony in the preliminary stages has on the overall outcome.

But it's possible there might be certain tactical advantages beyond just the institution stage. For example, some are watching to see whether including such evidence early on could help the patent owner shape the case moving forward.

"You can see circumstances where it may not have a serious blip at the institution phase but may at the end game — as the numbers roll up and average out — potentially impact the overall proceedings," Donnelly said.

--Additional reporting by Ryan Davis. Editing by Philip Shea and Edrienne Su.