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PATENTS

The authors offer practice tips to help parties present arguments for and against secondary considerations of nonobviousness at the Patent Trial and Appeal Board.

Secondary Considerations of Nonobviousness at the PTAB: Approaches and Obstacles Before the Final Written Decision



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Review of secondary considerations of nonobviousness is mandatory in district court evaluations of obviousness.¹ There's little surprise, then, at seeing secondary consideration issues arise in inter partes review (IPR) and covered business method patent (CBM) challenges brought before the Patent Trial and Appeals Board.

But, compared to district court litigation, almost everything about secondary considerations is different at the PTAB. From how to get discovery to the weight the PTAB will give secondary considerations, a party seeking to support a nonobviousness argument using secondary considerations faces many challenges.

This article unravels the arguments that have worked for patent owners and petitioners to help parties on both sides craft better filings and overcome the obstacles that arise when secondary considerations issues play a part in PTAB proceedings before the board's final written decision.

Step 1: Obtaining Authorization for Secondary Considerations Discovery

In most cases, discovery serves as the patent owner's first step when making a secondary considerations argument. Unlike in district court, however, to get discovery the patent owner must usually first win prior autho-

¹ See, e.g., *Plantronics, Inc. v. Aliph, Inc.*, 724 F.3d 1343, 1355, 2013 BL 203108, 107 U.S.P.Q.2d 1706 (Fed. Cir. 2013) (86 PTCJ 746, 8/9/13).

² This article is based on a search of 10,062 decisions, orders and notices issued by the PTAB through Sept. 14, 2014. In approximately 180 of these papers, the PTAB referred to secondary considerations.

rization from the PTAB to file a written motion seeking discovery. Obtaining prior authorization before filing discovery motions is typically mandatory.³

There are a few circumstances where prior authorization is not required before filing a discovery motion. For example, routine discovery—which requires production of “relevant information that is inconsistent with a position advanced by the party during the proceeding”—is mandatory, and no motion need be filed to obtain it.⁴ Similarly, if the parties have agreed to provide mandatory initial disclosures pursuant to 37 CFR § 42.5(1), then a party may obtain that discovery without seeking permission.⁵

But, in most cases, the parties will not have agreed to make mandatory initial disclosures, and the PTAB will view any request for initial disclosures as a request for additional discovery pursuant to Rule 42.51(b)(2).⁶ When these circumstances arise, the PTAB will then require that the requestor first seek prior authorization for a motion seeking the discovery.⁷ The party seeking the prior authorization will usually make the request during a telephonic meeting with the PTAB and opposing counsel.⁸ Rule 42.5(d) prohibits ex parte requests, and the PTAB encourages parties to confer before this telephonic meeting.⁹

Rule 42.51 states: “Where the parties fail to agree, a party may move for additional discovery.” Nonetheless, the party seeking discovery must know the showing it will need to make to the PTAB in the telephonic meeting because authorization to file a motion will not be routinely given. Rather, in IPRs, discovery will be only granted if it is “in the interest of justice”;¹⁰ in CBMs, discovery will only be granted for “good cause.”¹¹ As the PTAB explains:

Good cause and interests-of-justice are closely related standards, but on balance, the interests-of-justice standard is a slightly higher standard than good cause. While a good cause standard requires a party to show a specific factual reason to justify the needed discovery, interests-of-justice would mean that the Board would look at all relevant factors. The interests-of-justice standard covers considerably

more than the good cause standard, and in using such a standard the Board will attempt to consider whether the additional discovery is necessary in light of “the totality of the relevant circumstances.”¹²

When evaluating whether to authorize the requested discovery requests, the PTAB considers the same five factors despite the different standards used. These factors—commonly called the *Garmin* factors—are:

- (1) More than a possibility and mere allegation.
- (2) Litigation position and underlying basis.
- (3) Ability to generate equivalent information by other means.
- (4) Easily understandable instructions.
- (5) Requests not overly burdensome to answer.¹³

Requests for prior authorization most commonly face their defeat under factors 1, 3 and 5. For example, many parties do not meet the requirement of factor 1 because they cannot state that there is more than a possibility that responsive information exists.

In *Tandus v. Interface*,¹⁴ the patent owner said that relevant evidence “might exist” regarding petitioner’s alleged copying the patented invention and long-felt need. The PTAB denied patent owner the requested prior authorization to seek discovery. The PTAB said that, to file a motion seeking discovery, “a party requesting discovery must already possess evidence tending to show beyond speculation that something useful will be discovered.”¹⁵ Similarly, in *St. Jude Medical v. Univ. of Michigan*, the PTAB said that the movant’s inability to establish beyond “mere speculation” that the requested documents would contain useful information factored strongly in the decision to deny the requested prior authorization.¹⁶

But patent owners that establish that the information they will request likely exists have obtained the requested authorization. In *Smith & Nephew v. Convatec*,¹⁷ the patent owner won the requested authorization because it used discovery in concurrent litigation to support its assertion that petitioner had copied its patented invention. In *Schott Gemtron v. SSW Holding*, the patent owner also used its own knowledge of petitioner’s sales volume to obtain the necessary prior authorization.¹⁸

³ See 37 C.F.R. § 42.20(b); see also *Bloomberg Inc. v. Markets-Alert Pty. Ltd.*, CBM2013-00005, Paper No. 27 at 3 (P.T.A.B. May 17, 2013) (expunging papers and exhibits requesting authorization to file a motion for discovery made without prior authorization).

⁴ Rule 42.51(b)(1); see also *Markets-Alert*, Paper No. 27 at 2.

⁵ *Markets-Alert*, Paper No. 27 at 3. Additionally, the Trial Practice Guide anticipates that mandatory initial disclosures will include information relevant to secondary considerations. 77 Fed. Reg. 48,756, 48,762 (Aug. 14, 2012) (84 PTCJ 653, 8/17/12).

⁶ Any party having information relating to secondary considerations should think twice before agreeing to make these initial disclosures.

⁷ See, e.g., *Markets-Alert*, Paper No. 27 at 3.

⁸ See, e.g., *Google Inc. v. Jongerius Panoramic Techs., LLC*, IPR2013-00191, Paper No. 19 at 2 (P.T.A.B. Sept. 13, 2013).

⁹ Rule 42.51(b)(2)(i) (“The parties may agree to additional discovery between themselves. Where the parties fail to agree, a party may move for additional discovery.”); *Schott Gemtron Co., Inc. v. SSW Holding Co, Inc.*, IPR2013-00358, Paper No. 17 at 3 (P.T.A.B. Nov. 26, 2013) (encouraging parties that had been discussing discovery to keep talking, and to then request a second teleconference with the PTAB if they fail to agree).

¹⁰ *Garmin Int’l, Inc. v. Cuozzo Speed Techs., LLC*, IPR2012-00001, Paper No. 26 at 5 (P.T.A.B. Mar. 5, 2013).

¹¹ *Markets-Alert*, Paper No. 27 at 4.

¹² 77 Fed. Reg. 48,679, 48,693 (Aug. 14, 2012).

¹³ *Garmin*, Paper No. 26 at 6–7; *Markets-Alerts*, Paper No. 32 at 5.

¹⁴ *Tandus v. Interface, Inc.*, IPR2013-00333, Paper No. 30 at 3 (P.T.A.B. Feb. 3, 2014).

¹⁵ *Id.* The PTAB also noted, “during the conference, Patent Owner was unable to provide any more specific basis for its discovery requests and was unable to identify a specific document it seeks to discover.” See also *Riverbed Tech., Inc. v. Silver Peak Sys., Inc.*, IPR2014-00245, Paper No. 19 at 6 (P.T.A.B. Aug. 22, 2014) (denying patent owner’s request for additional discovery: “That argument reveals that the contention of commercial success due to disk encryption is, at best, a theory untethered to product sales evidence.”).

¹⁶ *St. Jude Med. v. The Bd. of Regents of the Univ. of Mich.*, IPR2013-00041, Paper No. 20 at 3 (P.T.A.B. July 31, 2013).

¹⁷ *Smith & Nephew, Inc. v. Convatec Techs., Inc.*, IPR2013-00102, Paper No. 24 at 3 (P.T.A.B. July 3, 2013).

¹⁸ *Schott Gemtron v. SSW Holding Co.*, IPR 2013-00358, Paper No. 28 at 3 (P.T.A.B. Jan. 13, 2014). But, with respect to six other categories of documents concerning copying, the PTAB found the request to be based on mere possibility or

Still, parties can meet the requirements of factor 1 and nonetheless have prior authorization denied under factors 3 and 5. For example, in *Square. v. Rem Holdings 3*,¹⁹ the patent owner's request for additional discovery relating to secondary considerations was partially denied because his requests were "unduly broad and burdensome" and requested publicly available information.²⁰ Also, requests for authorization may be denied under factor 5 at the teleconference stage if the requests seem to be unduly burdensome.²¹ Requests that fail to establish that the adverse party is the only source of the information have also faced defeat under factor 3.²²

To avoid a denial based on all of the *Garmin* factors, patent owners seeking discovery to support a secondary considerations argument should pay scrupulous attention to the PTAB's guidance on discovery, as should petitioners seeking to defeat discovery.

Step 2: Obtaining Secondary Considerations Discovery

Even when a patent owner can overcome the factors involved in prior authorization, it must still overcome substantive barriers to requests for discovery related to secondary considerations. So far, these barriers have proven to be a high barrier.

Nexus to commercial success

The PTAB has required that patent owners present detailed arguments about a nexus between the claimed patent invention and the commercial success of a patent-based product, and it has repeatedly rejected discovery requests for a failure to do so. For example, in *Garmin*, the PTAB denied the patent owner's request for discovery, explaining, "there is an insufficient showing of nexus between the claimed invention and [patent owner's] discovery requests. [Patent owner] has not made a sufficient threshold showing that the requested sales and pricing information are for units that sales of which are due to an inventive feature claimed by [patent owner]."²³

The PTAB reached a similar result in *Microsoft v. Proxyconn*, stating, "Where, as here, the patent is said to cover a feature or component of a product, the patent owner has the additional burden of showing that the

speculation, and briefing concerning those requests was not authorized. *Id.* at 4.

¹⁹ *Square, Inc. v. Rem Holdings 3, LLC*, IPR2014-00312, Paper No. 20 at 2 (P.T.A.B. Aug. 14, 2014).

²⁰ However, the PTAB did state that "Patent Owner may be entitled to a limited amount of discovery from Petitioner" and directed the parties to meet and confer on the issue of discovery. *Id.*

²¹ *Schott Gemtron*, Paper No. 28 at 4; *Tandus*, Paper No. 30 at 3 ("The lack of specificity in Patent Owner's requests is also an unjustified burden on Petitioner.").

²² See, e.g., *Zodiac Pool Sys., Inc. v. Aqua Products, Inc.*, IPR2013-00159, Paper No. 26 at 7 (P.T.A.B. Oct. 18, 2013) (Prior authorization for discovery of communications between that parties denied, because "Patent Owner fail[ed] to demonstrate why the requested information could not be figured out or assembled from internal sources."); see also *Apple Inc. v. SightSound Techs., LLC*, CBM2013-00020, Paper No. 24 at 3 (P.T.A.B. Nov. 13, 2013) ("a request should not encompass publicly available information that the party has the ability to obtain without the need for discovery.").

²³ *Garmin*, Paper No. 26 at 8.

commercial success derives from the feature. . . . Further, especially where the feature is found in the product of another, there must be proof that it falls within the claims."²⁴

In addition, the PTAB seems loath to evaluate secondary considerations if doing so would require an infringement finding. In *Apple v. SightSound*, the PTAB denied discovery that "would result in a trial within a trial on the issue of infringement, with associated evidence, arguments, and (potentially) declarants from [patent owner], and then the same from [petitioner] in response."²⁵ Nor was the PTAB willing to accept an expert's report regarding infringement to show nexus, stating "the fact that these documents exist . . . is not evidence of nexus (i.e., that the alleged commercial success of the [feature] was the result of claimed and novel features of the challenged patents."²⁶

Failure of others

A patent owner that seeks discovery about the petitioner's alleged failure to solve the problem that the patent solves has an additional burden: demonstrating that there were widespread efforts, and failures, by others. Without that evidence, a patent owner will likely see the PTAB reject its request for discovery.

In *Garmin*, the PTAB noted that "an allegation of failure by others is not evidence of nonobviousness unless it is shown that widespread efforts of skilled workers having knowledge of the prior art had failed to find a solution to the problem. . . . Any failure by [petitioner] alone does not establish widespread failure by skilled workers in the art attempting to solve the same problem."²⁷

Copying

Similarly, a patent owner that fails to demonstrate evidence of efforts to replicate a specific product that falls within the scope of the claims at issue will likely see the PTAB reject its request for discovery. In *Garmin*, the patent owner had submitted a declaration that suggested only that petitioner's lawyer had reviewed the patent with respect to potential infringement. The declaration did not, however, suggest that the evaluation took place before the products were manufactured. Without more, the PTAB denied the discovery request related to copying.²⁸

And, as with commercial success, the PTAB has explained that it will not allow for discovery regarding copying that would result in "a trial within a trial" on

²⁴ *Microsoft Corp. v. Proxyconn, Inc.*, IPR2013-00026, Paper No. 32 at 5 (P.T.A.B. March 8, 2013).

²⁵ *Apple Inc. v. SightSound Techs., LLC*, CBM2013-00020, Paper No. 40 at 6 (P.T.A.B. Dec. 11, 2013).

²⁶ *Id.*; Cf. *Omron Oilfield & Marine, Inc. v. MD/Totco, a Division of Varco, L.P.*, IPR2013-00265, Paper No. 11 at 15 (P.T.A.B. Oct. 31, 2013) (declining to institute a trial in the face of patent owner's argument that a product covered by the claims—as determined in district court litigation—was commercially successful).

²⁷ *Garmin* at 9; see also *Smith & Nephew* at 7 (noting that patent owner's motion lacked "threshold amount of evidence tending to show widespread failure to solve the problem addressed by the claims").

²⁸ *Garmin* at 12. See also *Google v. Jongerius*, IPR2013-00191, Paper No. 27 at 5-8 (denying discovery because of no evidence of copying); *Smith & Nephew* at 4-7; *Zodiac Pool*, Paper No. 26 at 4-6.

infringement or that “would require negotiating and implementing complex confidentiality protections . . . and would be unduly burdensome and prejudicial”²⁹

Long-felt but unresolved need

The PTAB will also likely reject the discovery request of a patent owner that fails to explain why it could not rely on its own analysis of the state of the art or on an analysis by independent analysts to establish long-felt but unresolved need.³⁰

Establishing the above-mentioned elements—or highlighting where they are missing—serves as the best way to predict success when making or challenging requests for discovery seeking evidence to support a secondary considerations claim.

Step 3: Arguing Secondary Considerations

The good news? Parties on both sides have found success—at least in part—when making arguments for or against secondary considerations. *Omron Oilfield & Marine v. MD/Totco* serves as a notable—if seemingly singular—win for patent owners.³¹ In that case, the PTAB concluded that the petitioner had created a prima facie case of obviousness. In response, the patent owner produced evidence showing that a product previously found to infringe some of the claims at issue achieved a 50 percent market share. The patent owner also produced evidence showing a nexus between the commercial success and the product described and claimed in the patent. The evidence came from prior litigation of the patent. The evidence also included advertising touting the inventive features of the product and testimony about customers’ appreciation of those features. In light of the evidence, the PTAB concluded that the patent owner had overcome petitioner’s prima facie showing of obviousness, and rejected the petition.³²

The PTAB has also addressed how arguments regarding secondary considerations—or lack thereof—bolster a showing of obviousness. In at least one case, the missing secondary consideration evidence helped the PTAB reach a decision to grant the petition.³³ But, when faced with complex secondary considerations arguments, the PTAB has shown that it prefers to delay resolving obviousness issues until trial.³⁴

²⁹ *Apple* at 6.

³⁰ See *Garmin* at 14 (“[Requester] has not adequately explained why it needs Garmin’s views to establish what [requester] believes had been a long-felt but unresolved need with regard to speed limit indicators. [Requester] can rely on its own analysis of the state of the art or on the opinions of independent analysts.”); see also *Markets-Alert*, CBM2013-00005, Paper No. 32 at 11 (same).

³¹ *Omron Oilfield*, Paper No. 11.

³² *Id.*

³³ See, e.g., *Apotex Inc. v. Alcon Pharm., Ltd.*, IPR2013-00012, Paper No. 43 at 19 (P.T.A.B., Mar. 19, 2013) (petitioner’s arguments that the claimed results were not unexpected supporting petition’s grant). See also IPR2013-00015, Paper 35 at 21-22.

³⁴ See *Amneal Pharm., LLC v. Supernus Pharm., Inc.*, IPR2013-00368, Paper No. 8 at 12-13 (P.T.A.B., Dec. 17, 2013) (Following production of by both parties of detailed secondary consideration arguments, PTAB grants petition, “detailed consideration of [patent owner’s] secondary consideration evidence may not be undertaken until [petitioner] has had an opportunity to test it.”). See also *Crocs, Inc. v. Polliwalks, Inc.*, IPR2014-00423, Paper No. 8 at 15 (P.T.A.B., Aug. 20, 2014)

Parties who fail to present detailed arguments about secondary considerations will likely see their arguments rejected by the PTAB. For example, it was insufficient to state that a party “will be able to show evidence of secondary considerations.”³⁵ Merely pointing to the existence of arguments made elsewhere has also proven insufficient.³⁶

Similarly, arguments that fail to make a showing of one or more elements required to establish secondary considerations usually do not work.³⁷ Nor do secondary consideration arguments that fail to connect the argument to specific patent claims that create a nexus of commercial success or market share.³⁸ And, without more, expert opinions alone cannot fill the gap.³⁹

Perhaps *Macauto v. BOS GmbH* best illustrates the strictness with which the PTAB evaluates secondary considerations arguments in the pre-trial stage.⁴⁰ There, the petitioner was aware of the patent owner’s commercial success argument raised in a prior reexamination. Even though the petitioner entirely failed to address the previously raised argument, the PTAB did not fault the petitioner and instead concluded that the patent owner had failed to establish the nexus needed to defeat the petition.⁴¹

As these decisions show, the PTAB has set a high standard for secondary considerations of nonobviousness arguments raised in an effort to defeat a petition. To succeed, a patent owner’s evidence must be detailed and must satisfy the required proofs for the appropriate secondary considerations—and must be largely unrefuted. Otherwise, the petition will likely be granted and the determination of sufficient secondary considerations of nonobviousness must await trial.

(concluding that “secondary considerations are better considered in the context of a trial when the ultimate determination of obviousness is made”).

³⁵ *Ranbaxy Labs. Ltd. v. Vertex Pharm. Inc.*, IPR2013-00024, Paper No. 16 at 16 (P.T.A.B., March 5, 2013).

³⁶ See *Palo Alto Networks, Inc. v. Juniper Networks, Inc.*, IPR2013-00369, Paper No. 16 at 27-28 (P.T.A.B., Dec. 19, 2013) (pointing to arguments made in concurrent litigation); *Redline Detection, LLC v. Star EnviroTech, Inc.*, IPR2013-00106, Paper No. 17 at 21 (P.T.A.B., Jul. 1, 2013) (pointing to arguments made in a prior reexamination).

³⁷ *The Scotts Co. LLC v. Encap, LLC*, IPR2013-00110, Paper No. 9 at 16, 25 (P.T.A.B., Apr. 15, 2013) (rejecting arguments on commercial success and long-felt made without citation to any expert declarations and merely asserting the successful licensing of a family of 6 patents is insufficient as well); See also *CBS Interactive, Inc. v. Wireless Sci., LLC*, IPR2013-00033, Paper No. 21 at 22 (P.T.A.B., Mar. 25, 2013) (asserting successful licensing of family of patents without evidence of how patent at-issue was responsible for the alleged success).

³⁸ See, e.g., *Ariosa Diagnostics v. Isis Innovation*, IPR2012-00022, Paper No. 24 at 37 (P.T.A.B., Mar. 19, 2013); *Motorola Solutions, Inc. v. Mobile Scanning Techs., LLC*, Paper No. 28 at 35-36 (P.T.A.B., Apr. 29, 2013).

³⁹ See, e.g., *Vestcom Int’l Inc. v. Price Heneveld LLP*, IPR2013-00031, Paper No. 22 at 26; Exhibit 1017 at 1-5, Exhibit 1018 at 2-3 (P.T.A.B., Apr. 1, 2013) (Two expert declarations filed by petitioner insufficient to establish nexus because they explicitly address the challenged claims or “advertising, promotion, or other factors that may contribute to the commercial success.”).

⁴⁰ *Macauto U.S.A. v. BOS GmbH & Co. KG*, IPR2012-00004 (P.T.A.B., Jan. 24, 2013).

⁴¹ *Id.* Paper No. 18 at 19 (“While such [arguments by petitioner] might be helpful in determining obvious they are nevertheless not always a prerequisite.”) (citation omitted).

Conclusion

From discovery to the granting of a petition for IPR or CBM, the PTAB has begun to develop an emerging set of strict standards around secondary considerations of nonobviousness. For patent owners, those standards may become an obstacle they cannot overcome to get discovery or prevent PTAB review of their patents. For petitioners, the standards may require a larger invest-

ment than originally thought—for experts and evidence development—when originally filing the petition. For both parties, overcoming those obstacles requires keeping abreast of emerging standards contained in PTAB decisions and aligning evidence as soon as possible to satisfy their best understanding of those standards.