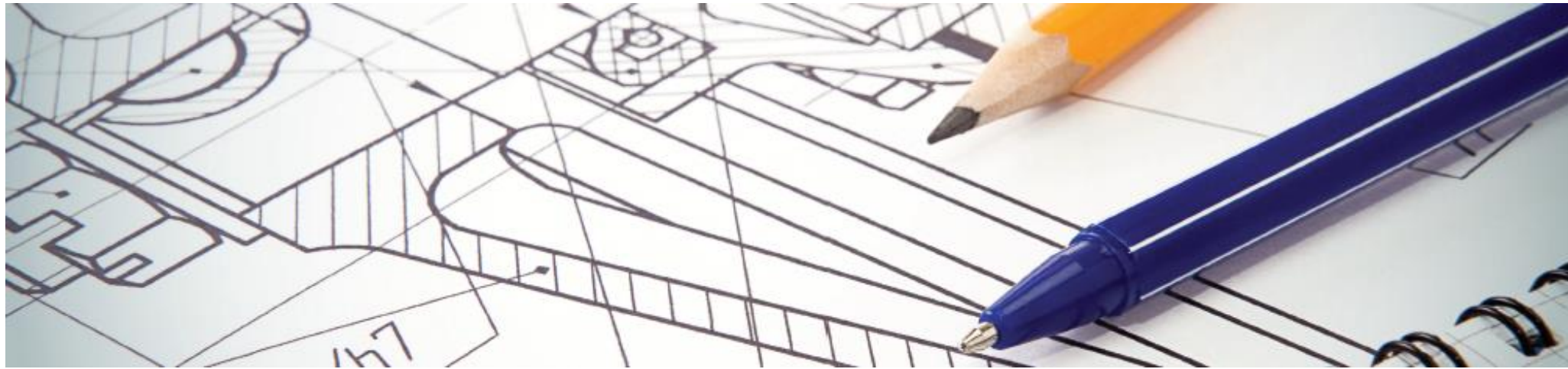


## 2019 Analysis on PTAB Contested Proceedings

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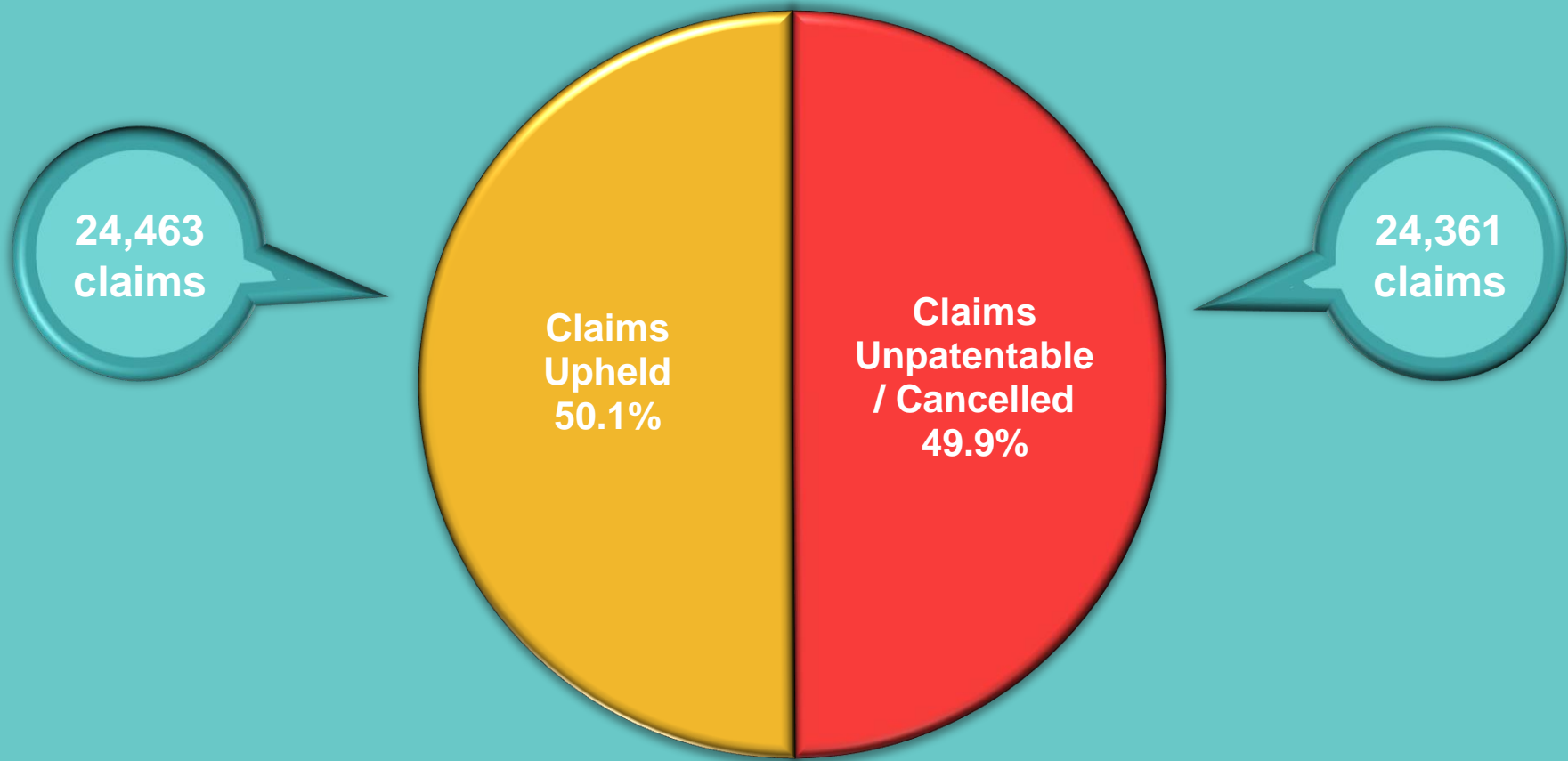
### INTRODUCTION

Venable Fitzpatrick has annually undertaken this Report on Patent Trial and Appeal Board (PTAB) AIA trials to provide objective information on the general results of such trials, the types of arguments that have had the most traction, and trends over time. The analysis is based on a review of all final written decisions issued through 2018 and all decisions denying institution issued through 2017. Because final written decisions issue about one year after institution decisions, we did not include decisions denying

institution in 2018 to avoid improper skewing.

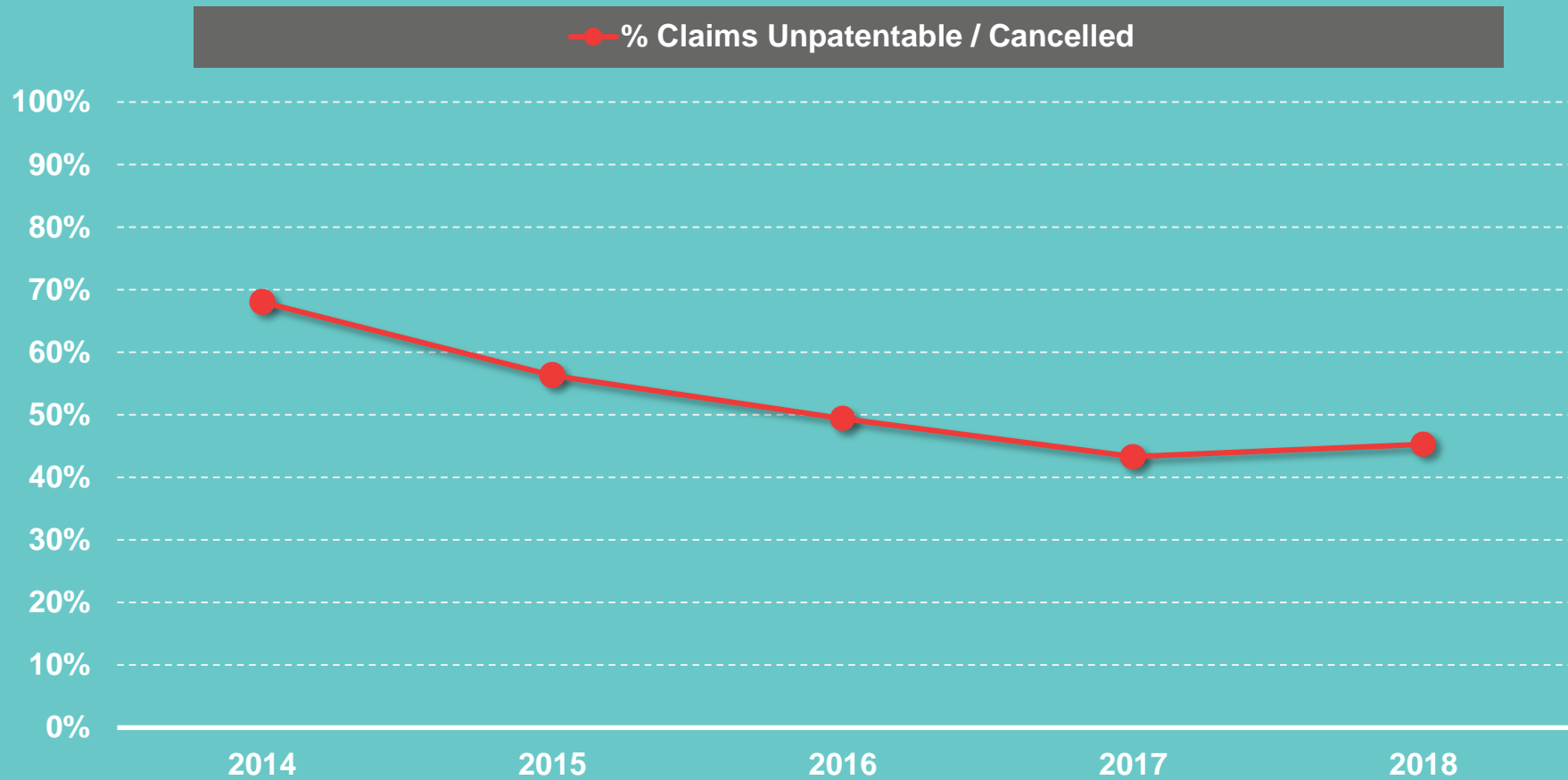
This report provides perspective on the outcomes of review proceedings based on a large pool of decisions and a rigorous methodology that accounts for duplicate petitions and other factors that could paint an incorrect picture. The report provides valuable insights regarding both the usefulness of these proceedings to challengers and effective lines of defense for patent owners.

# IPR: Survival Rate of Challenged Claims



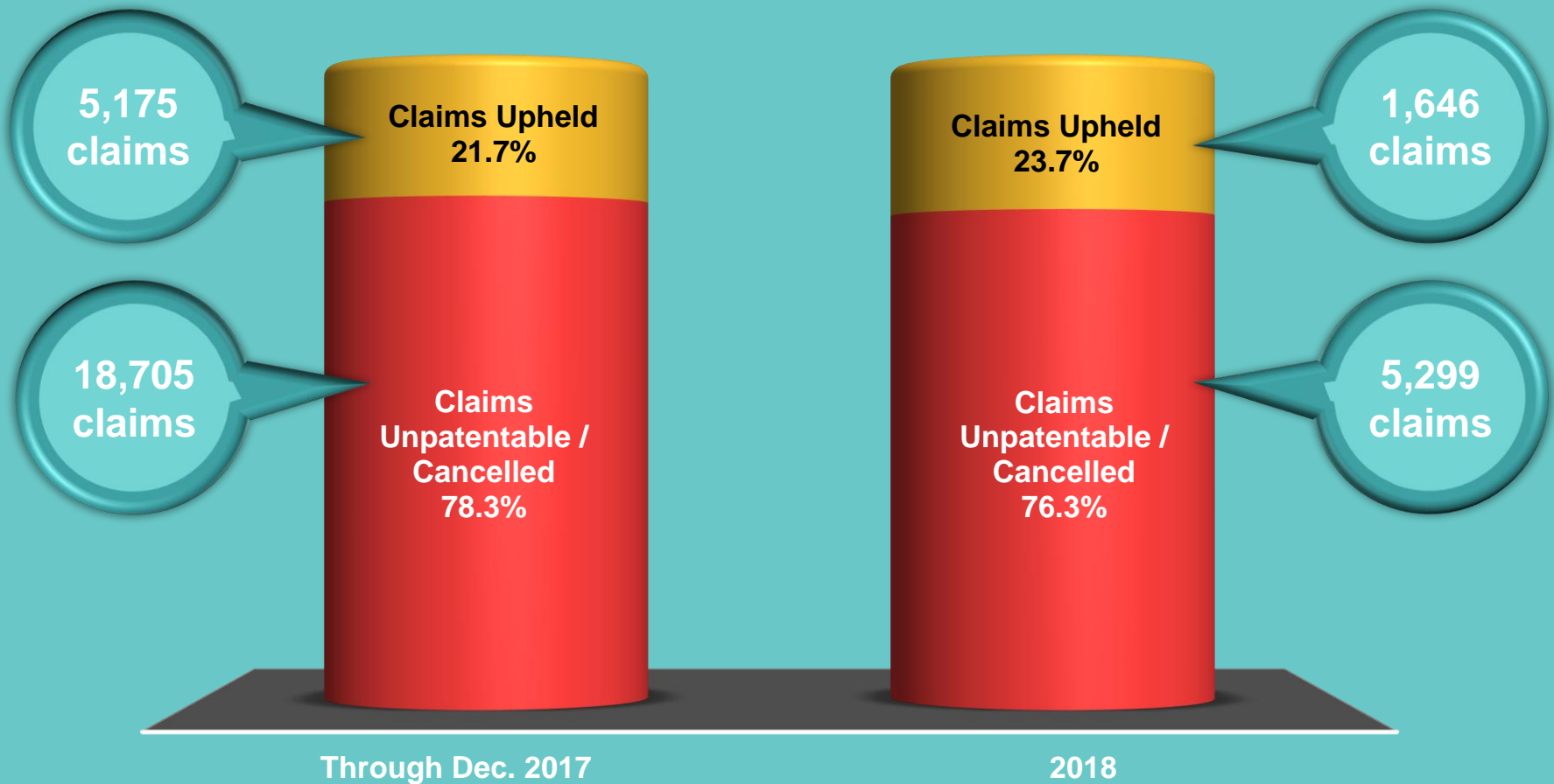
**Key Finding:** In cases that reached final written decisions or were substantively denied institution, about half of the claims originally *challenged* in the IPR petitions were cancelled or found unpatentable. This statistic accounts for challenged claims that were denied institution for substantive reasons, as opposed to procedural reasons (*e.g.*, time-barred). The analysis includes decisions not to institute through 2017, and final decisions through 2018, due to the temporal relationship between these types of decisions. Specifically, final decisions typically issue about one year after the institution decisions. Accounting for that one year differential avoids an improper skewing toward the outcomes of decisions not to institute. This analysis does not factor in challenges that did not reach a final written decision (*e.g.*, case that were settled).

# IPR: Percentage of Challenged Claims Found Unpatentable or Cancelled in Final Decisions



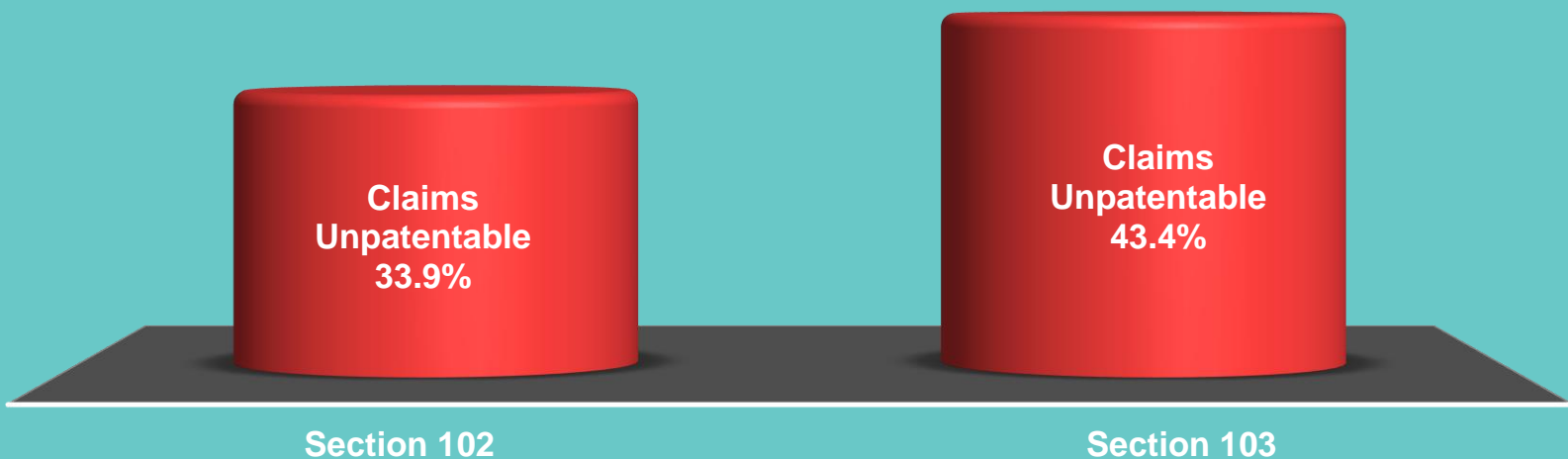
**Key Finding:** This chart presents, per year, the percentage of claims that were found unpatentable or cancelled out of those *challenged* by the petitioner in IPR proceedings that reached final written decisions or were denied institution on substantive grounds. The data show a drop in unpatentability findings over the years, with a leveling off in 2017-2018. It is unclear if the trend over time stems from adjustments by the PTAB, the quality of patents challenged by petitioners, the quality of petitions/defenses, or some combination thereof. The listed periods are for final written decisions. The analyzed decisions not to institute are from one year earlier.

# IPR: Survival Rate of Instituted Claims



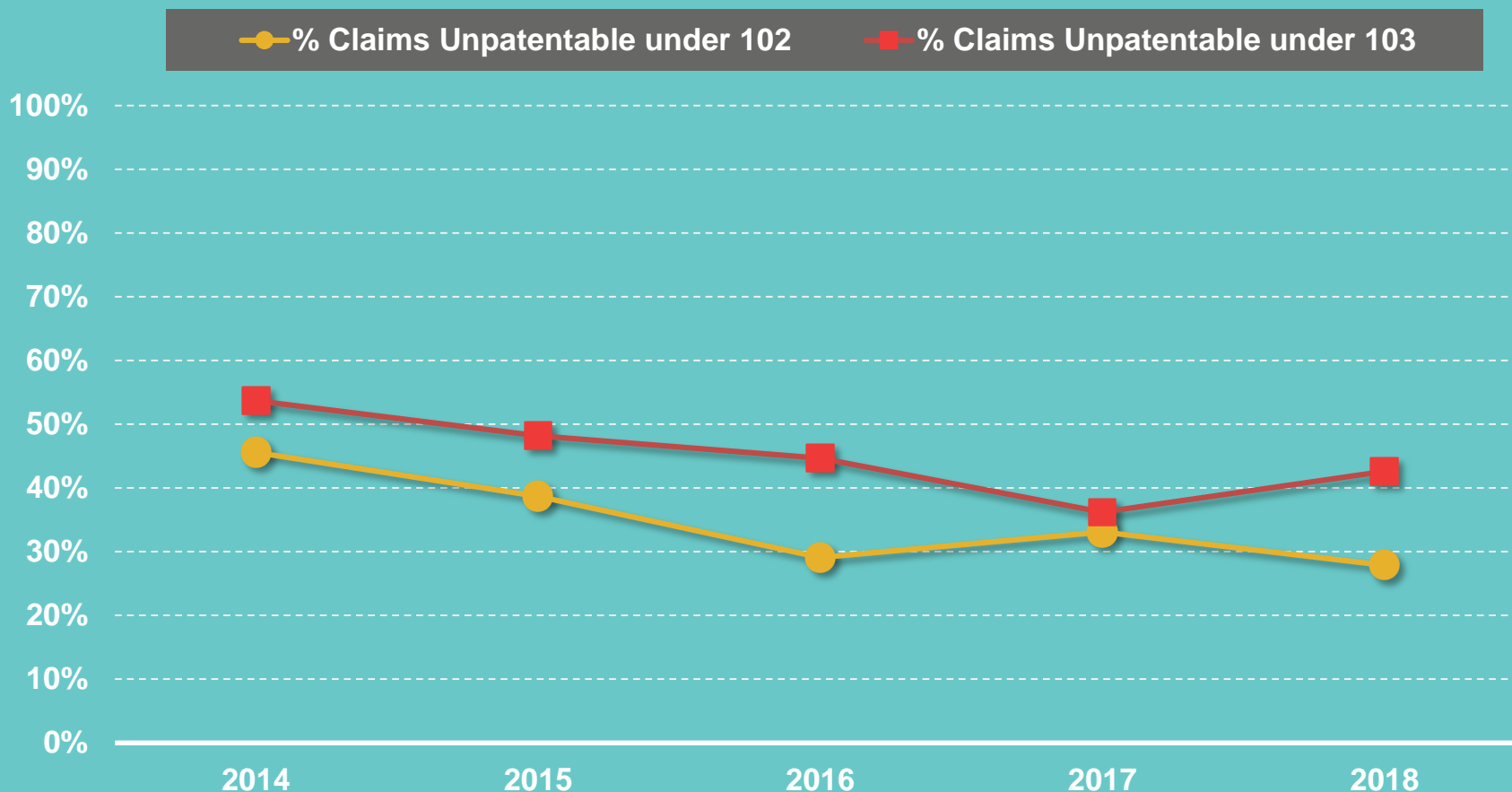
**Key Finding:** This chart shows the survival rate of *instituted* claims in IPR proceedings that reached a final written decision (as compared to prior charts that show the survival rates relative to claims originally *challenged*, some of which were not instituted). Trial is now instituted on all challenged claims if the PTAB believes that “it is more likely than not that” at least one claim is unpatentable. Prior to the Supreme Court’s decision in *SAS Institute v. Iancu*, institution could be based on a subset of claims challenged, causing institution to be a significant predictor of the ultimate outcome. *SAS* will likely have an impact on this statistic over time, as the PTAB now institutes trial on claims even if only some of the claims meet the threshold.

# IPR: Breakdown of Unpatentability Findings in Final Decisions Relative to Claims Challenged



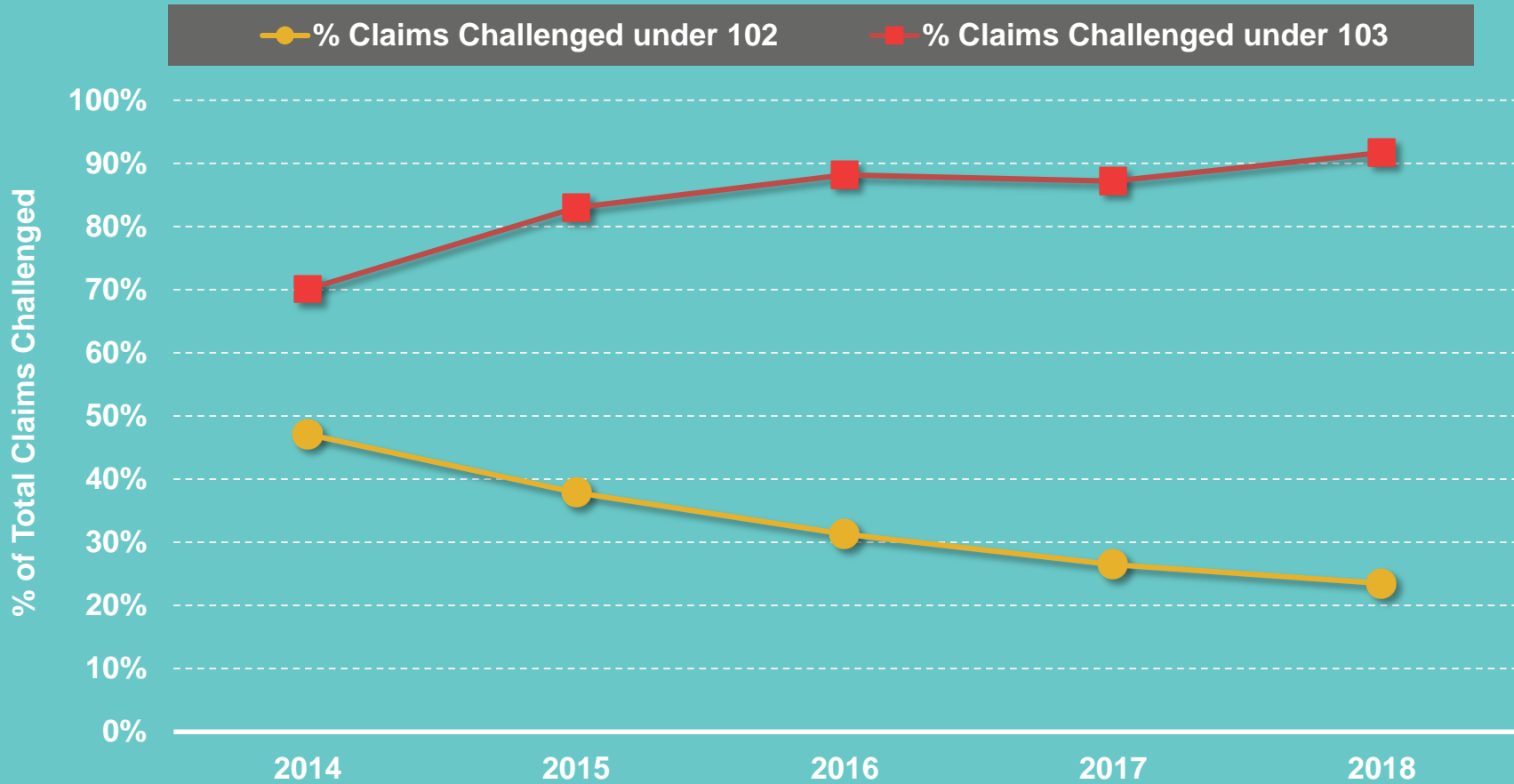
**Key Finding:** This chart presents the percentage of claims found unpatentable under Sections 102 and 103 for all IPR petitions that reached a final written decision or were substantively denied institution. The analysis includes decisions not to institute through 2017, and final decisions through 2018, which typically issue about a year apart. That differential avoids an improper skewing toward the outcomes of decisions not to institute. This analysis excludes claims cancelled by the patent owner. Petitioners still have a better chance of invalidating claims under Section 103 than Section 102. Also, the Section 102 success rate is just lower than the corresponding rate in district court litigations (about 31-35%), while the success rate for Section 103 is much higher in IPR proceedings than in district courts (about 28-33%).

# IPR: Breakdown of Unpatentability Findings in Final Decisions Relative to Claims Challenged by Year



**Key Finding:** This chart presents the percentage of claims found unpatentable under Sections 102 and 103, out of the out of the total claims challenged under each section, on a year-by-year basis. The analysis includes final decisions through the year listed and decisions not to institute through the prior year, as the decisions typically issue about a year apart. Some claims were invalidated under both grounds. This analysis excludes claims cancelled by the patent owner. Over time, unpatentability rates for challenges under both sections have trended downward. In 2018, the unpatentability rate for claims challenged under Section 102 was the lowest it has been, at 27.9% of challenged claims.

# IPR: Percentage of Claims Challenged Under 102 and 103 by Year



**Key Finding:** This chart presents the rate at which each type of challenge (Sections 102 or 103) was asserted in challenges to the claims. The analysis looks at challenges corresponding to final decisions through the year listed and decisions not to institute through the prior year, as the decisions typically issue about a year apart (to avoid improper skewing toward the outcomes of decisions not to institute). Adding the percentages shown does not equal 100% because many claims are challenged under both sections. As can be seen, the percentage of claims challenged under Section 102 has declined over time, while the percentage challenged under Section 103 has increased, with over 90% of claims now facing Section 103 challenges. This trend may be due to the reports over the years, such as this one, that Section 103 challenges provide a better chance of success. Of note, while the increase in the percentage of Section 103 challenges has coincided with a drop in the success rates, Section 102 challenges have seen a reduction in both of usage and rate of success.

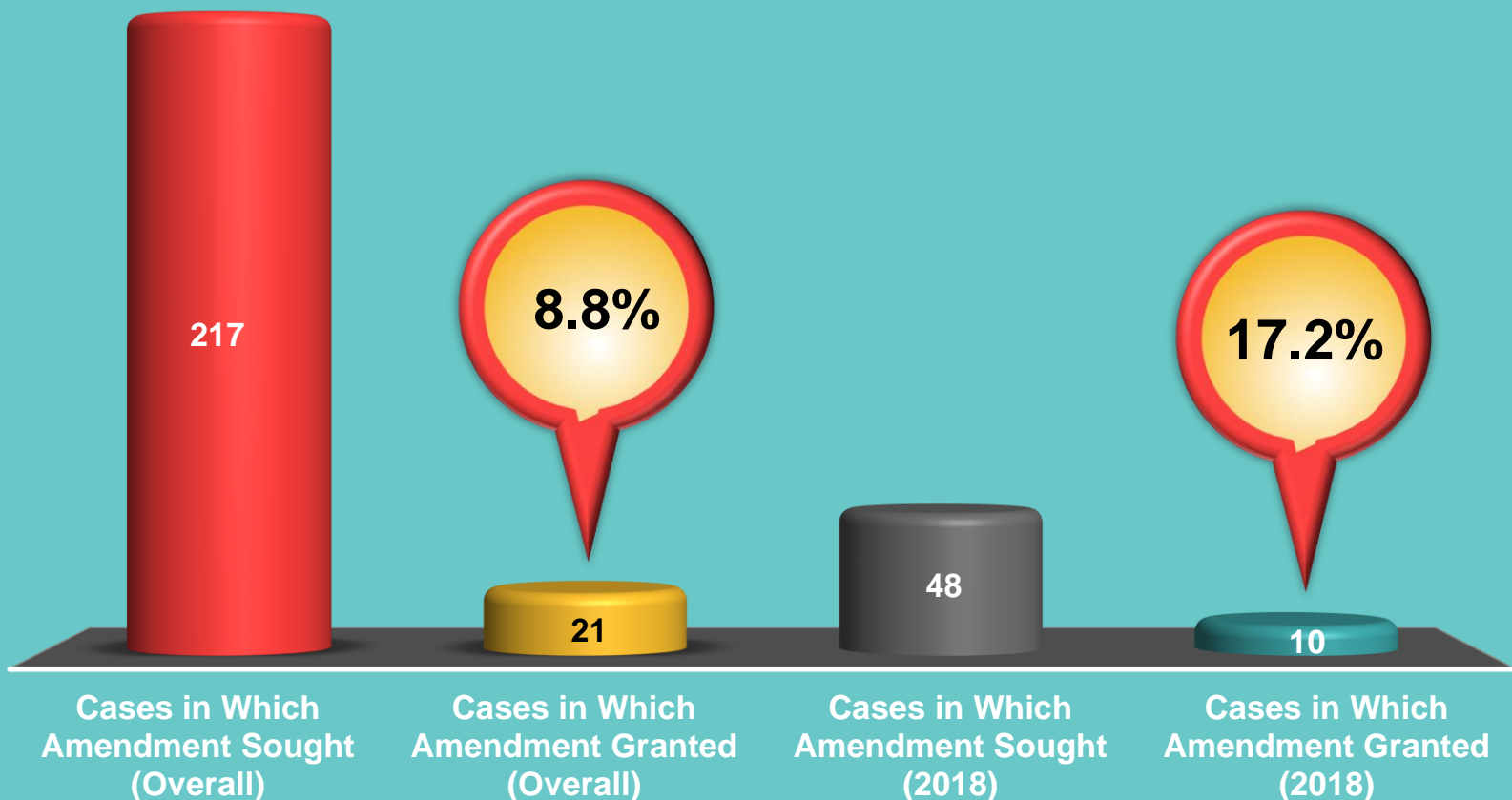
# IPR: Breakdown of Unpatentability Findings in Final Decisions Relative to Claims Instituted



**Key Finding:** This chart presents the percentage of claims found unpatentable under Sections 102 and 103 out of the claims for which trial was *instituted* in IPR proceedings that reached final written decisions. Some claims were invalidated under both grounds. We excluded cancelled claims for which the PTAB could not issue a ruling under Section 102 and/or 103. The higher rates show that the likelihood of a successful challenge jumps significantly upon institution. However, we expect that these statistics will shift due to the effects of SAS. For instance, while the success rate of Section 102 challenges post-institution is high, as compared to the success rate for originally challenged claims, most of the decisions forming these statistics are from pre-SAS cases, where the PTAB could exclude weak Section 102 challenges. Under the current policy, the PTAB will institute all challenges, so long as one challenge meets the requirement for institution.

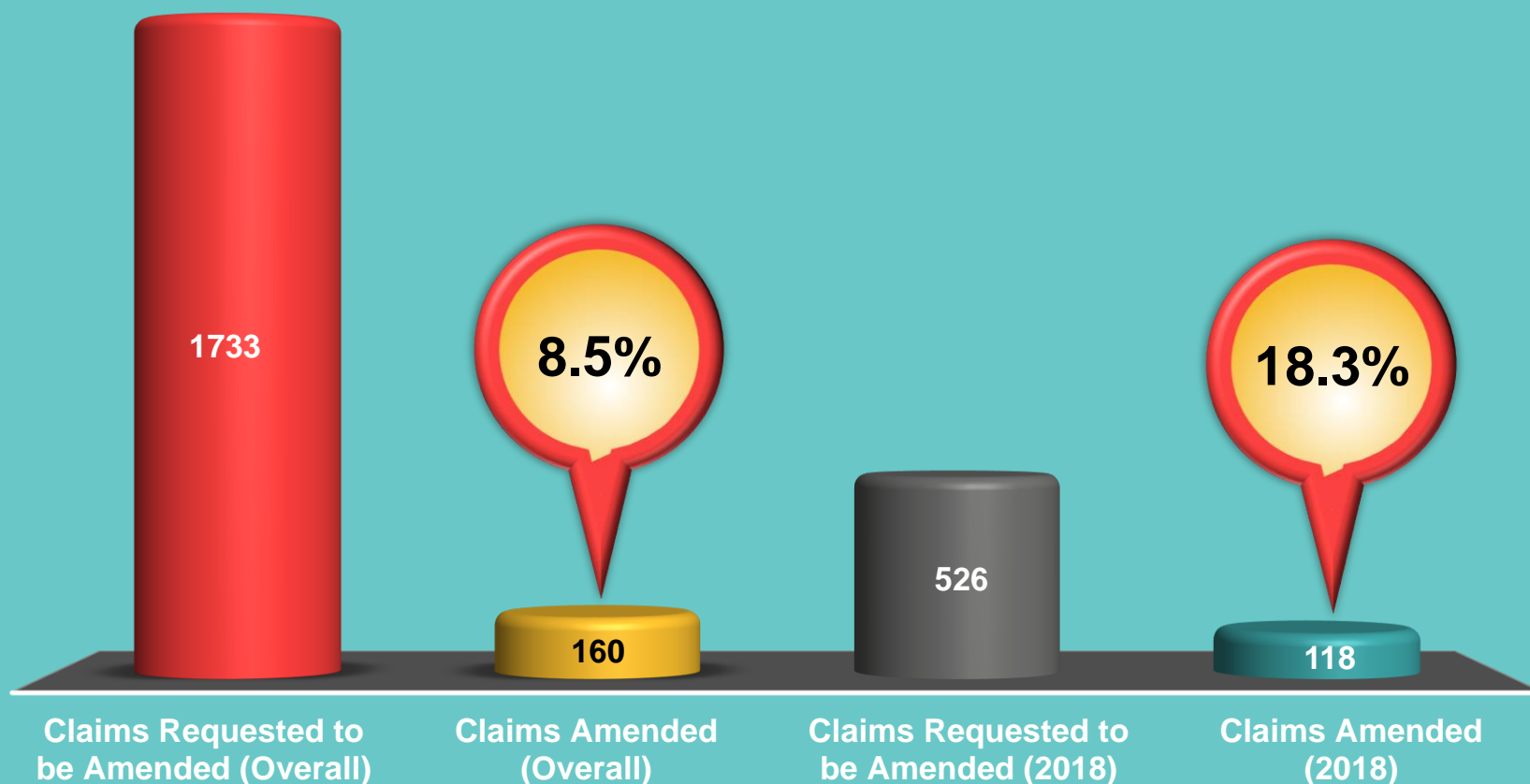


# IPR: Decisions on Requests to Amend the Claims



**Key Finding:** This chart presents the number of times a motion to amend the claims was granted compared to the total number of motions made. A common complaint of patent owners has been that the PTAB has granted motions to amend claims sparingly. More recently, the news has been better for patent owners. Our 2017 analysis showed a success rate of 6.1%, which has risen to 8.8% with the addition of the 2018 data. Looking at just the 2018 statistics, the success rate topped 17%. Factors potentially leading to this jump include the PTAB’s new rules for motions to amend and the Federal Circuit’s decision in *Aqua Products*, which put the burden of proving unpatentability of amended claims on the petitioner.

# IPR: Number of Claims Amended / Denied Amendment



**Key Finding:** This chart presents the total number of claims for which amendment was granted (rather than the number of actual motions to amend). In most instance, the PTAB denied these motions for substantive reasons; however, in a few instances, a contingent motion to amend was not granted because the original claims were upheld. As with the statistics for the success rate for overall motions, the success rate on a claim-by-claim basis has increased overall from last year’s analysis (3.5% overall). Indeed, through 2017, only 42 claim had been successfully amended, as compare to 160 claims by the end of 2018. More critically, the 2018 statistics alone show a success rate on a claim-by-claim basis of over 18%, a significant jump from the pre-2018 statistics.

# IPR: Remand Decisions



IPRs with Remand  
Decisions



Average Time to  
Decision on Remand  
from Initial Decision

**Key Finding:** This chart shows the average time to a PTAB decision on a remand from the Federal Circuit, as measured from the initial final written decision by the PTAB. The average time for such a remand decision is a over two years, which includes the time it takes for the case to go through an appeal at the Federal Circuit. The time for the appeal to the Federal Circuit accounts for the bulk of this period. The PTAB has a goal of handling remanded cases within 6 months of the Federal Circuit mandate.

# IPR: Statistics on Remand Decisions



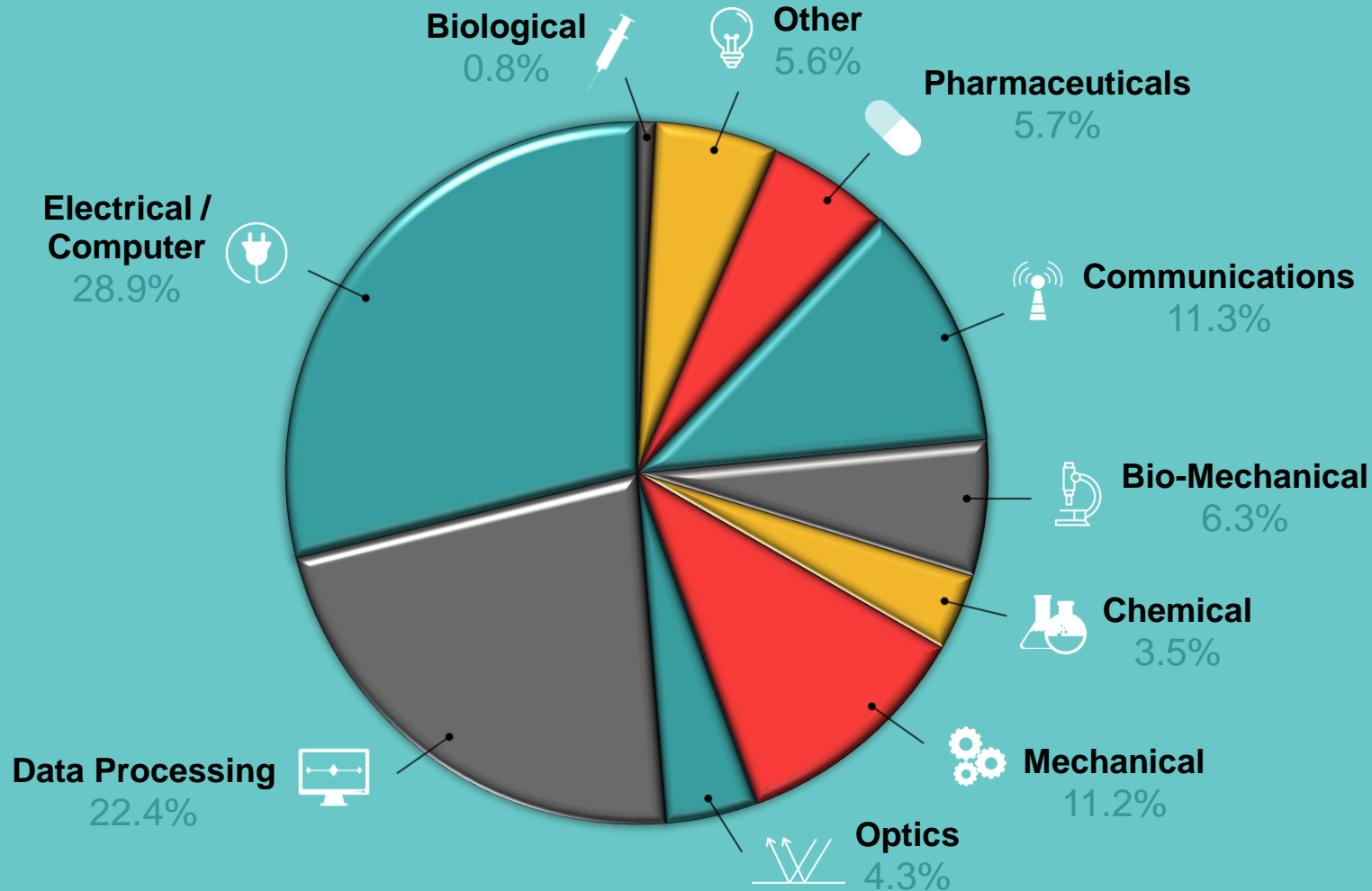
**Key Finding:** This chart shows the number of claims found newly unpatentable, newly patentable, or unchanged in new PTAB decisions after remand from the Federal Circuit. To date, the PTAB’s rulings have gone largely unchanged following remands in which the Federal Circuit instructed the PTAB to reconsider original decisions (e.g., to use a different claim construction). While some claims have been found newly patentable, very few claims have been found newly unpatentable after a remand. This analysis does not account for cases in which the Federal Circuit simply reversed the PTAB’s decision, leaving no further analysis for the PTAB to undertake.

# Percentage of IPRs with a Concurrent Litigation



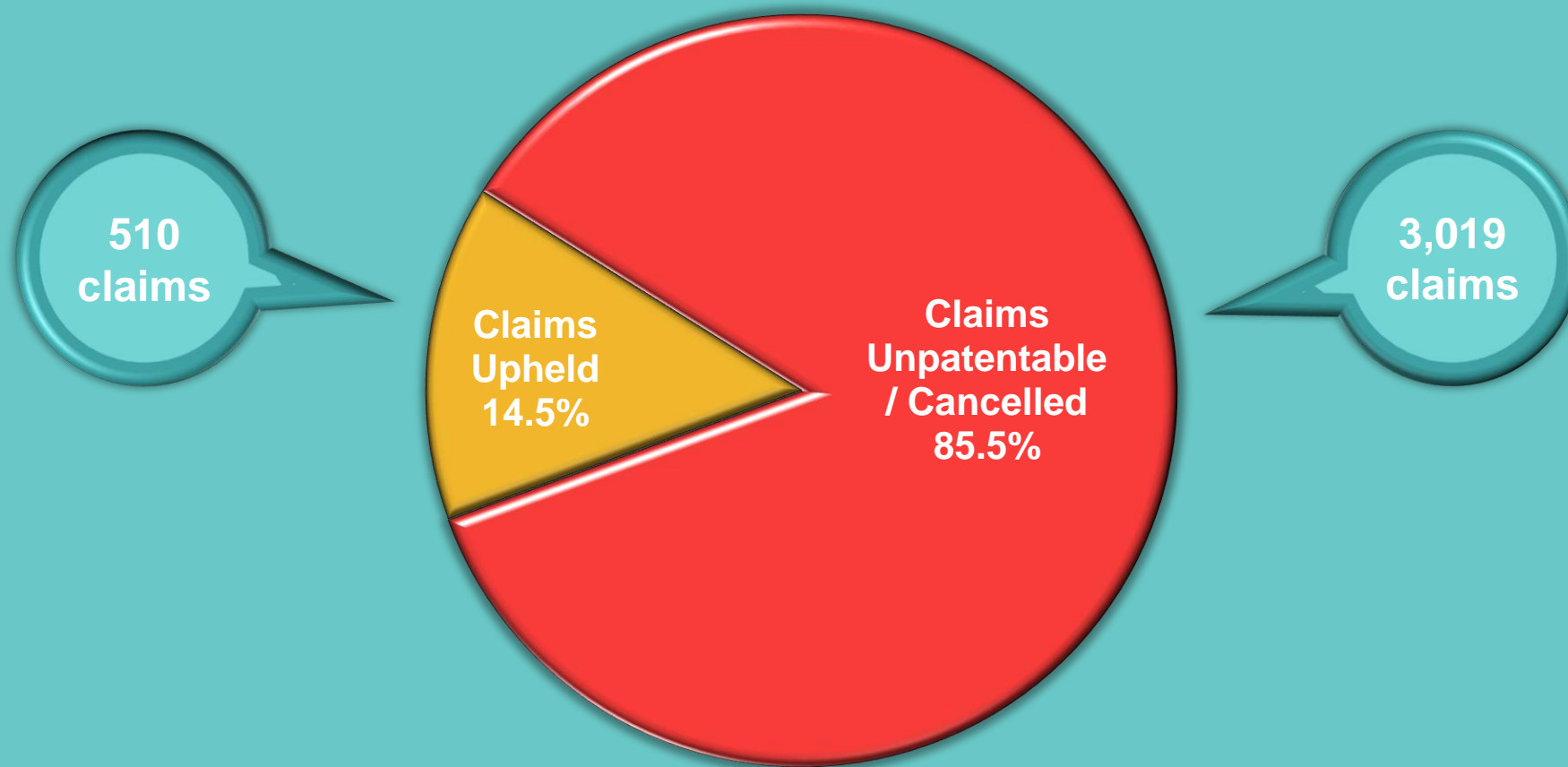
**Key Finding:** The majority of IPR proceedings involved patents embroiled in concurrent district court litigations. This finding supports the notion that defendants in patent infringement suits are driving the filing of IPR petitions.

# IPR and CBM: Final Decisions by Technology



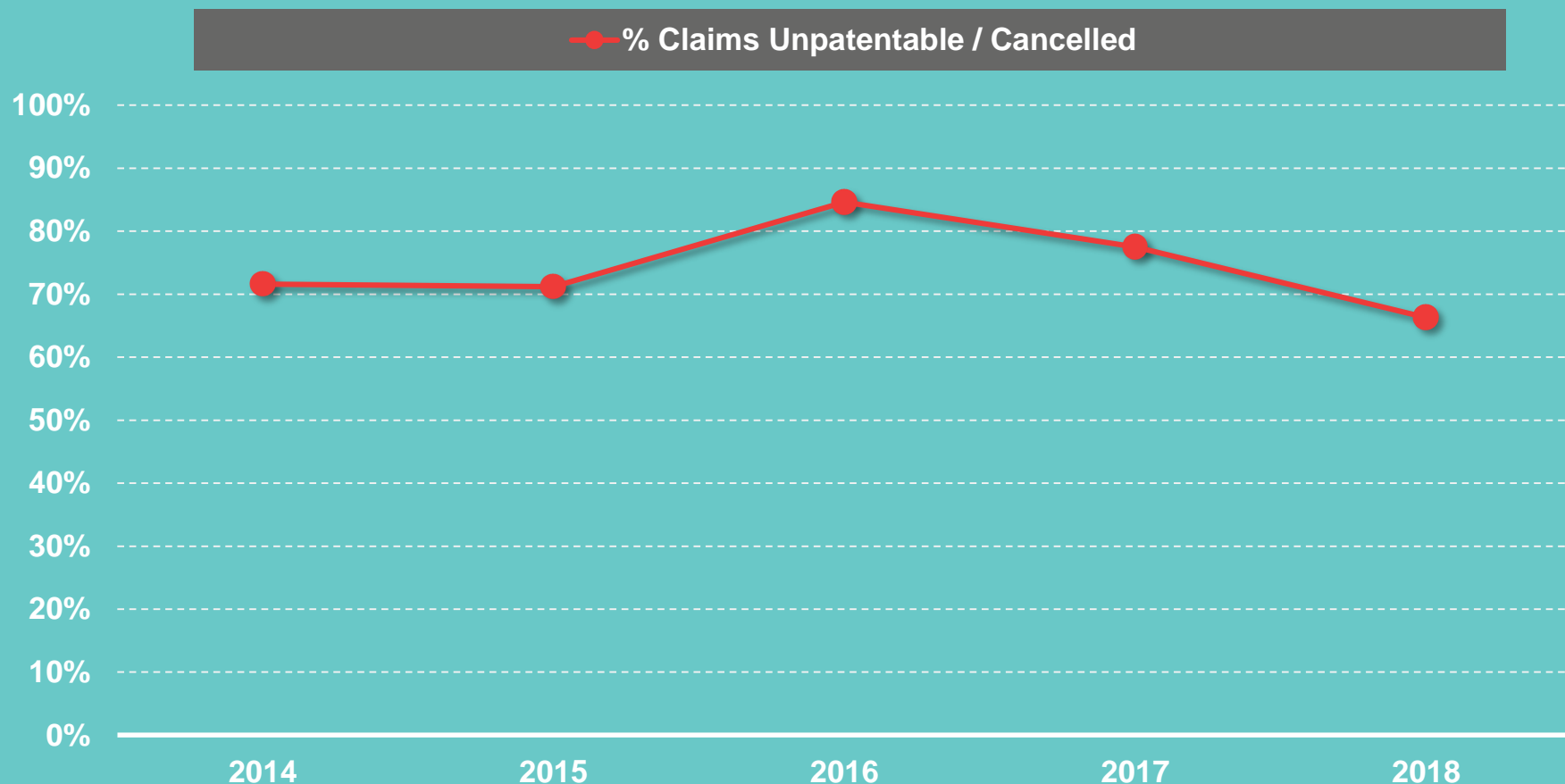
**Key Finding:** This chart shows the technology areas for the patents for which the PTAB issued final decisions. Two technology categories—electrical/computer and data processing—have been at issue in about 51% of all final decisions issued in IPR and CBM proceedings through 2018. Through 2015, those two categories had a combined share of about 60%. Pharmaceutical cases accounted for about 6% of final decisions, but that share is up from about 4% through 2015.

# CBM: Survival Rate of Challenged Claims



**Key Finding:** This statistic accounts for final written decisions and substantively denied CBM petitions. It excludes challenged claims that were denied CBM review for procedural reasons (e.g., time-barred) and cases in which the PTAB determined the patents did not claim a qualifying business method. The analysis includes decisions not to institute through 2017, and final decisions through 2018. Accounting for that one year differential avoids an improper skewing toward the outcomes of institution decisions. As compared to IPR proceedings, CBM proceedings allow for additional statutory grounds of unpatentability and relate only to qualifying business method patents (which opens the door to Section 101 challenges). The availability of Section 101 challenges largely accounts for the higher rate of unpatentability as compared to IPRs.

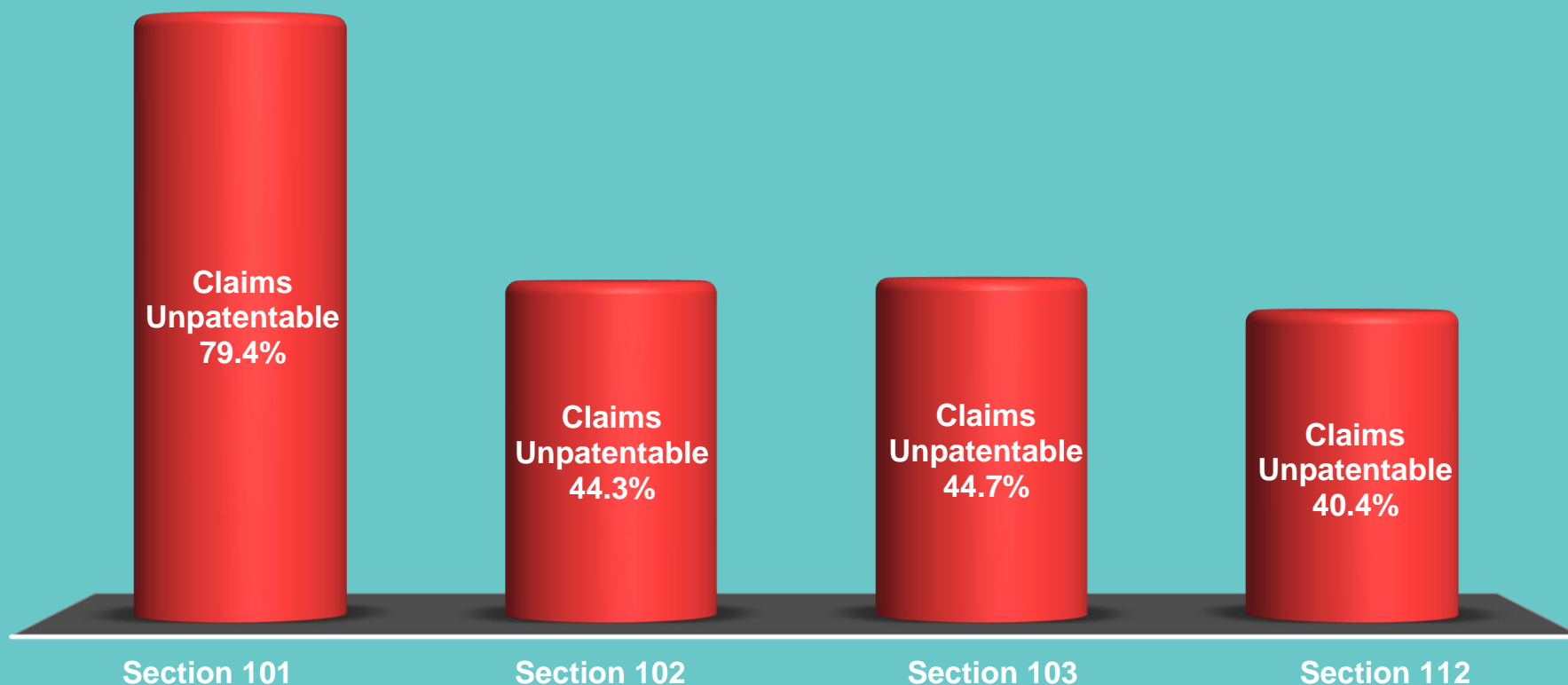
# CBM: Percentage of Challenged Claims Found Unpatentable or Cancelled in Final Decisions



**Key Finding:** This chart presents, per year, the percentage of claims that were found unpatentable or cancelled out of those *challenged* by the petitioner in CBM proceedings that reached final written decisions or were denied institution on substantive grounds. These statistics do not account for overall redundancies in patents challenged, as it examines each year’s challenges independently from each other year. The listed periods correspond to the year of the final written decisions. The analyzed decisions not to institute are from one year earlier. As can be seen, the CBM rate has fluctuated within a range, without the discernable trend associated with IPRs.

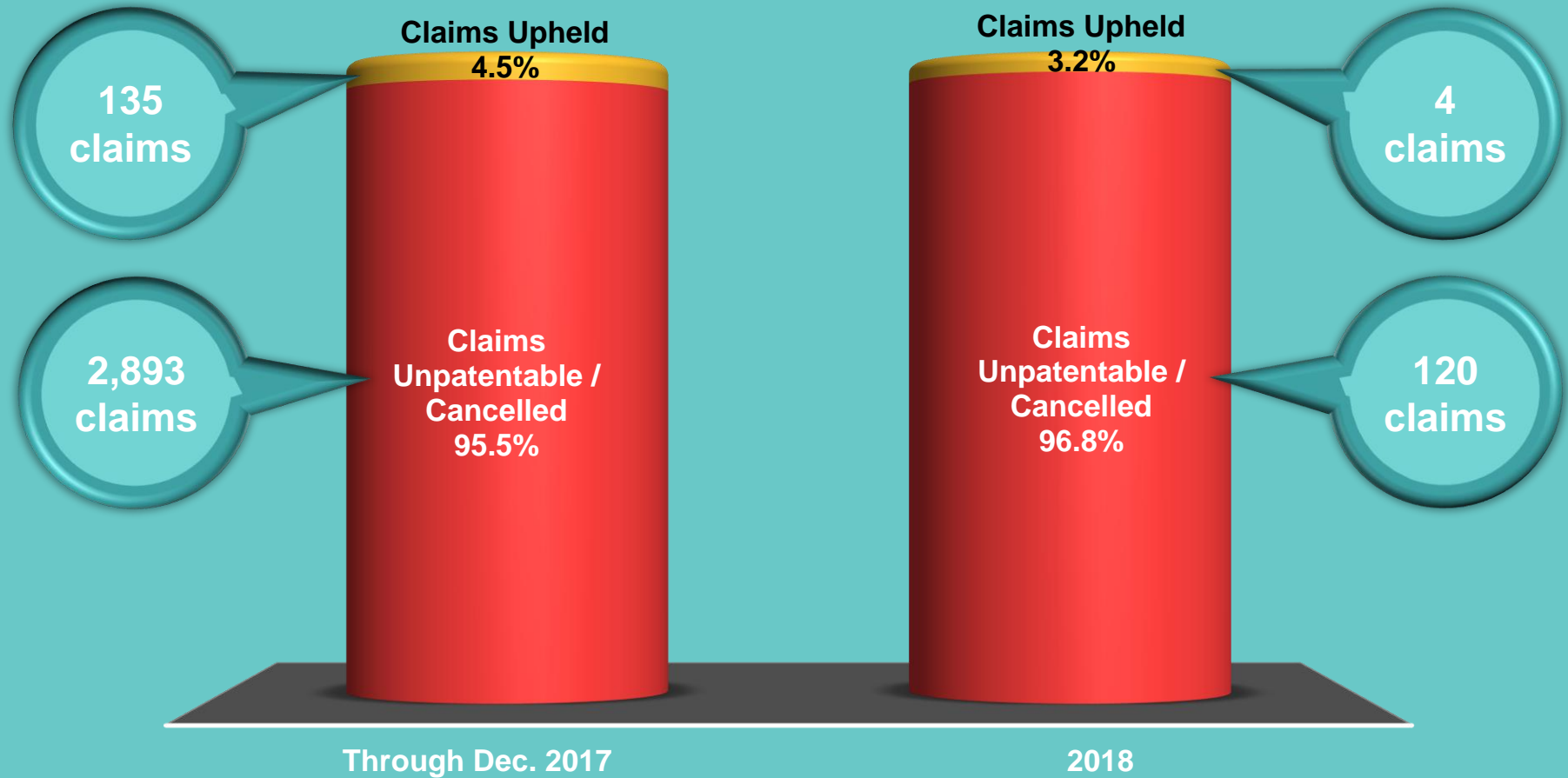


# CBM: Breakdown of Unpatentability Findings in Final Decisions Relative to Claims Challenged



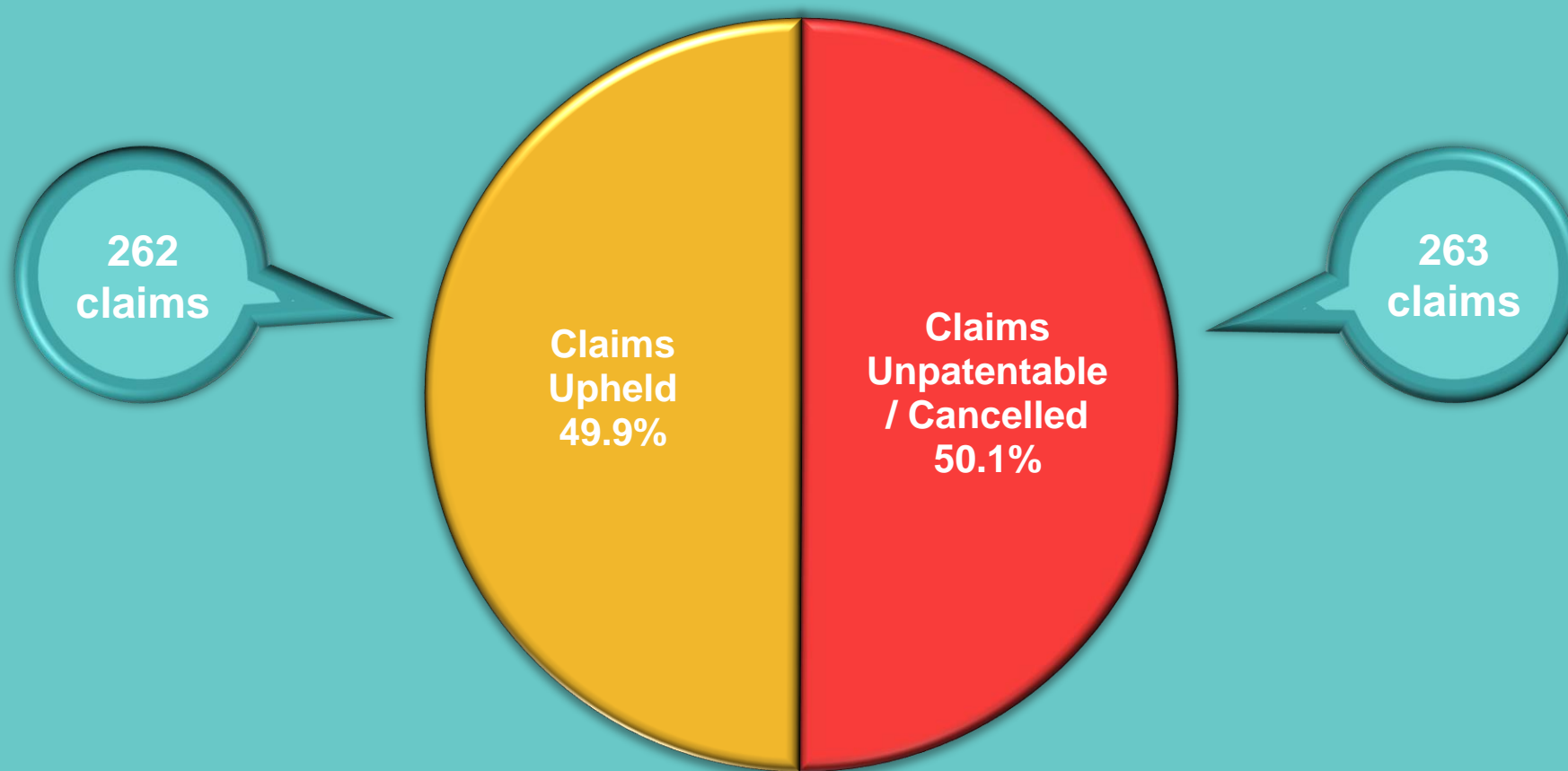
**Key Finding:** This chart presents the success rates, on a claim-by-claim basis, for challenges under Sections 101, 102, 103, and 112 for all CBM petitions that either reached a final written decision, or were denied institution for substantive reasons. The analysis included decisions not to institute through 2017, and final decisions through 2018, due to the temporal relationship between these types of decisions. The rate of unpatentability of claims challenged under Section 101 is higher than the corresponding rate under Sections 102, 103, and 112, and is higher than any success rate achieved in IPR proceedings. Note that some claims were found unpatentable on multiple bases. Claims cancelled by the patent owner and cases denied institution for failing to claim a qualifying business method were excluded from the analysis.

# CBM: Survival Rate of Instituted Claims



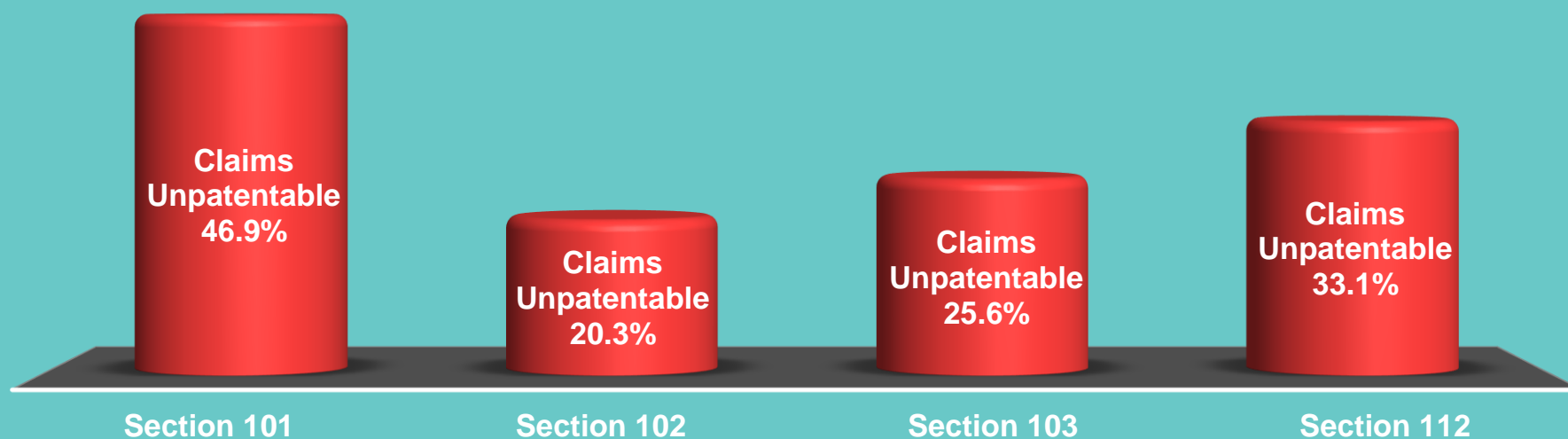
**Key Finding:** This chart shows the survival rate of *instituted* claims in CBM proceedings that reached a final written decision (as compared to prior charts that show the survival rates relative to claims originally *challenged*, some of which were not instituted). The high rate of unpatentability stems largely from the requirements for institution of a CBM proceeding. Specifically, institution requires that there be a qualifying business method patent claim, which requirement puts the claim in danger of being found unpatentable in view of *Alice*. In addition, while the rate of success for Section 112 challenges, pre-institution, hovers around 40%, the post-institution rate jumps to the high 90s.

# PGR: Survival Rate of Challenged Claims



**Key Finding:** In cases that reached final written decisions or were substantively denied institution, about 50% of claims that were originally *challenged* in PGR petitions were cancelled or found unpatentable. The analysis includes decisions not to institute through 2017, and final decisions through 2018, in order to account for the fact that final decisions typically issue about one year after the institution decisions. Unlike IPR and CBM proceedings, PGR proceedings can only be initiated for patents having a claim with an effective filing date that is on or after March 16, 2013. The percentage of claims cancelled or found unpatentable increased from 38% at the end of 2017 to 50.1% at the end of 2018. However, the variance derives in part from the small sample sizes (186 new claims in 2018 vs. only 339 claims from inception through the end of 2017). Thus, it is difficult to draw conclusions at this time.

# PGR: Breakdown of Unpatentability Findings in Final Decisions Relative to Claims Challenged



**Key Finding:** This chart presents the success rates, on a claim-by-claim basis, for challenges under Sections 101, 102, 103, and 112 for all PGR petitions that either reached a final written decision, or were denied institution for substantive reasons. The analysis included decisions not to institute through 2017, and final decisions through 2018, due to the temporal relationship between these types of decisions. While the sample size remains low, the numbers indicate that challenges under Section 101 are the most successful. For the remaining bases for challenge, the rates of unpatentability lag those of IPR and CBM proceedings. Of note, unlike CBM proceedings, which also allow for Section 101 challenges, but are limited to business method patents, the top targets for PGR petitions in the cases analyzed were pharmaceutical patents, followed by chemical patents.

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## ABOUT US

Venable Fitzpatrick has more than 175 attorneys practicing intellectual property law. We have one of the premier patent litigation practices in the nation.

Our offices across the country serve a diverse national and international clientele from Fortune 500 companies to Internet start-ups. We have continually kept pace with the complex world of new technologies and the strategies required for protecting knowledge, vision and ideas.

The quality and experience of our attorneys is among the best. In addition to robust legal qualifications, the vast majority of our attorneys hold scientific degrees, including advanced degrees. Our attorneys also include those with substantial industry experience and experience serving as USPTO examiners.

Our clients do business in a wide range of industries including pharmaceuticals, chemicals, energy, biotechnology, computers, information technology, electronics, medical devices, optics, medical imaging, transportation, telecommunications, finance, food and e-Commerce. As new technologies emerge, we work closely with our clients in developing strategies for protecting and enforcing their intellectual property.



## OUR METHODOLOGY

Our analysis for this report considers all of the final written decisions issued by the PTAB for IPR, CBM, and PGR proceedings through the end of 2018 and all decisions denying institution through 2017. A few things to note:

1. For situations in which multiple petitions were filed against one patent, we consolidated those petitions into one for purposes of collecting data to avoid skewing from redundant petitions.
2. In gathering statistics, we evaluated only the original claims in the patents at issue. We did not account for amended claims that were subsequently allowed by the PTAB. The number of cases in which motions to amend were granted is quite small.
3. For cases in which the patent owner requested adverse judgment against itself, we considered the claims to be cancelled.
4. For the charts that show the percentage of claims found unpatentable under different sections (e.g., Sections 102 and 103), please note that, in some instances, the PTAB found claims unpatentable under multiple grounds.
5. We did not include in our analysis petitions that did not reach either a final written decision or decision denying institution (e.g., settlements).
6. We analyzed substantive decisions not to institute. We did not include in our analysis denials that were procedural in nature (e.g., time barred petitions, lack of standing in CBMs, etc.).

## 2019 Analysis on PTAB Contested Proceedings

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