

Latham & Watkins [Litigation & Trial](#) and [Intellectual Property](#)
[Litigation Practices](#)

August 15, 2018 | Number 2369

Patent Office Issues New Guidance for PTAB Challenges

Key procedural changes mark the first update to the PTAB's Trial Practice Guide since 2012.

Key Points:

- The changes, including a new pre-hearing conference and possible live testimony, increase the importance of having a strong litigation skillset when before the PTAB.
- Pre-authorized sur-replies for “principal briefs” give the patent owner the last word on the merits of its issued claims.
- A renewed emphasis on patent owner’s motions to amend may continue to increase their popularity, and petitioners are now entitled to a sur-reply in support of their opposition.

Background

The United States Patent Trial and Appeal Board (PTAB) promulgated its Trial Practice Guide (Guide) in August 2012 to establish consistent practices and procedures in its post-grant challenges to patent validity, such as inter partes reviews (IPRs).¹ Now, the United States Patent Office has published its first-ever [Trial Practice Guide Update](#) (Update),² explaining that this would be the first in a series of updates to ensure the Guide reflects current practices.

Some portions of this Update simply align the Guide with various administrative refinements to the PTAB’s current regulations, such as word and page limits. Other changes, however, shift how the PTAB will be doing business. This *Client Alert* will explain how the shift places a stronger emphasis on counsel’s tactics and skills.

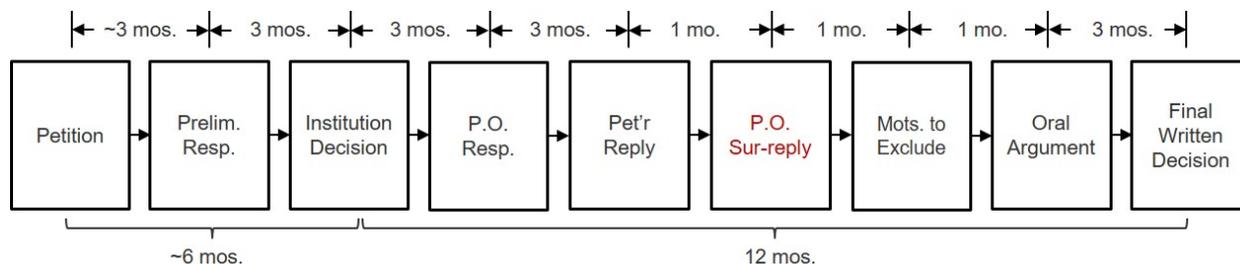
The Patent Owner’s Sur-reply on the Merits of the Issued Claims

Until now, instituted IPR trials followed a sequence familiar to all litigators: the party asserting invalidity set forth the case in a petition supported by evidence, including an expert declaration; the patent owner countered the petitioner’s arguments in its response, also supported by similar evidence; and the petitioner replied in support of the petition, often with a supplemental expert declaration.

In one twist peculiar to the PTAB proceedings, however, a patent owner cannot cross-examine the petitioner’s expert on the substance of the reply declaration until *after* briefing is complete. The patent

owner could therefore file a paper limited to short non-argumentative comments on excerpts from the deposition transcript, called “observations,” and the petitioner responded in kind.

The updated Guide replaces the patent owner’s observations with a sur-reply on the merits:



The patent owner now gets the last word with its sur-reply, which unlike limited observations, may include arguments addressing testimony elicited during cross. The petitioner’s response to the observations is simply eliminated — the petitioner does not receive a sur-surreply as of right despite bearing the ultimate burden of persuasion.

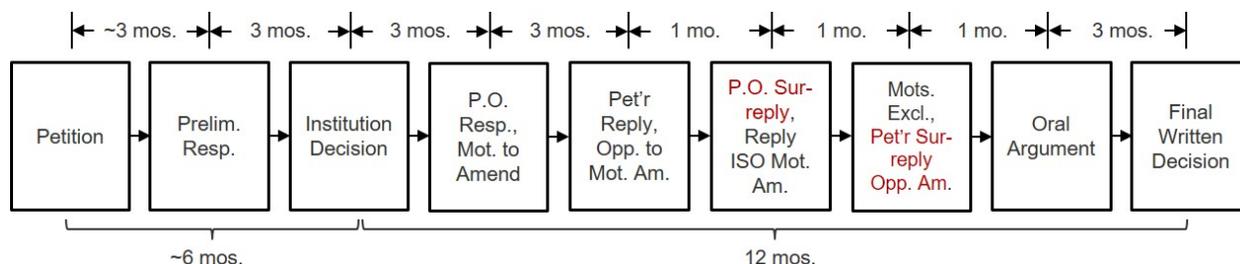
The Update stresses that sur-replies are meant to “crystalize” the issues; belated arguments and evidence should not be considered. While the Update provides guidance on motions to strike new arguments, striking all or a portion of a party’s filing is “an exceptional remedy,” and the PTAB has rarely granted motions to strike in the past.

These changes increase the importance of counsel’s litigation skills. A patent owner might turn a case around by obtaining a crucial admission or other testimony during this last cross-examination and persuasively framing it in the sur-reply. On the other side of the table, the petitioner will not have an opportunity to address the patent owner’s sur-reply in writing. So the petitioner must carefully select and prepare its expert witness to limit responses that can be taken out of context or twisted in unforeseen ways. Both parties will need effective oral advocates, as these late-stage battles will carry over into oral argument. The petitioner’s counsel needs to deftly defuse any issues raised in the sur-reply, as the oral hearing will be the only guaranteed opportunity to do so, while the patent owner’s counsel will need to counter-attack during the new sur-rebuttal discussed in the Update.

Continued Emphasis on Motions to Amend

The Patent Office continues to promote motions to amend as a viable strategy for patent owners, pointing to its [guidance on *Aqua Products*](#),³ the recent Federal Circuit case that burdened petitioners with proving a proposed amended claim is unpatentable, and its “[informative](#)” [Western Digital order](#)⁴ providing further procedural guidance to patent owners. The Patent Office also recently released [statistics](#) showing that these changes are having an effect: more motions to amend have been filed in the first half of FY 2018 than in all of FY 2017.⁵

The Update also gives petitioners a sur-reply, which is the last word and effectively a reply in support of the petitioners’ opposition brief:



While petitioners will welcome the sur-reply to help carry their burden of demonstrating the unpatentability of the amended claims, the above diagram shows that a patent owner's motion to amend effectively triggers a mini-IPR inside of the IPR.

A petitioner has only three months to find prior art and prepare a complete case with supporting expert testimony for this mini-IPR. A petitioner must do so while preparing its reply supporting its challenge to the issued claims, which includes cross-examining the opposing expert and submitting supplemental expert testimony of its own, all while ensuring that its IPR remains consistent with its defensive positions in district court. Petitioners will need experienced counsel with significant resources at hand to meet this challenge should it arise.

Conversely, a patent owner will have only one month to prepare its sur-reply in support of its issued claims *and* its reply in support of its amended claims. Among other tasks, a patent owner will need to take the crucial final cross-examination discussed above while preparing a supplemental expert declaration to accompany its reply in support of its motion to amend. And similar to the petitioner, a patent owner must always keep its entire IPR harmonized with its infringement case in court.

Changes to Oral Argument

The Update provided various changes to the oral hearing. First, patent owners may receive a sur-rebuttal corresponding to the aforementioned sur-reply, giving them the last word on the issued claims. Petitioners will need to remove the opportunity for an effective sur-rebuttal by "pre-butting" key points beforehand.

Also, parties may now request a pre-hearing conference shortly before oral argument to seek an early ruling on any critical evidentiary issues and to obtain the PTAB's guidance as to the particular issues the panel would like the parties to address..

The Update also focuses on live testimony, stating that "the Office will permit live testimony ... where the panel believes [it] will be helpful" because the demeanor of the witness is critical. The PTAB has typically denied nearly all such requests in the past,⁶ but if the Update's extended focus on live testimony signals a change, PTAB counsel's litigation skills will become even more important.

Conclusion

As Latham & Watkins highlighted in its [May 11, 2018 Client Alert, "SAS Institute Follow-Up: New PTAB Procedures and Strategies,"](#) the PTAB is evolving at a rate that has not been seen since IPRs first took effect. This period of rapid change requires daily diligence to keep abreast of new developments. Furthermore, these changes are increasing the importance of counsel's litigation skills. Petitioner/defendants and patent owner/plaintiffs both need a well-coordinated strategy taking into account the whole case — including the district court litigation, the new dynamic at the PTAB, and the inevitable appeals to the Federal Circuit.

If you have questions about this *Client Alert*, please contact one of the authors listed below or the Latham lawyer with whom you normally consult:

[Bob Steinberg](#)

bob.steinberg@lw.com
+1.202.637.2301
Washington, D.C.

[Jonathan M. Strang](#)

jonathan.strang@lw.com
+1.202.637.2362
Washington, D.C.

[Lisa K. Nguyen](#)

lisa.nguyen@lw.com
+1.650.470.4848
Silicon Valley

You Might Also Be Interested In

[Aqua Products Levels the Playing Field at the PTAB](#)

[Video: PTAB Spotlight: What Petitioners and Patent Owners Need to Consider Post Aqua](#)

[Webcast: Keeping Tabs on the PTAB](#)

[SAS Institute Follow-Up: New PTAB Procedures and Strategies](#)

Client Alert is published by Latham & Watkins as a news reporting service to clients and other friends. The information contained in this publication should not be construed as legal advice. Should further analysis or explanation of the subject matter be required, please contact the lawyer with whom you normally consult. The invitation to contact is not a solicitation for legal work under the laws of any jurisdiction in which Latham lawyers are not authorized to practice. A complete list of Latham's *Client Alerts* can be found at www.lw.com. If you wish to update your contact details or customize the information you receive from Latham & Watkins, visit <https://www.sites.lwcommunicate.com/5/178/forms-english/subscribe.asp> to subscribe to the firm's global client mailings program.

Endnotes

-
- ¹ This *Client Alert* will refer to IPRs, which are the vast majority of all PTAB *inter partes* proceedings. These changes also apply to Covered Business Method Review and Post Grant Reviews.
 - ² Notice at 83 Fed. Reg. 39989 (Aug. 13, 2018), and the Update itself is at <https://go.usa.gov/xU7GP>.
 - ³ *Aqua Products, Inc. v. Matal*, 872 F.3d 1290 (Fed. Cir. 2017) (*en banc*); "Aqua Products Levels the Playing Field at the PTAB," <https://www.lw.com/thoughtLeadership/LW-Aqua-Products-Levels-the-Playing-Field-at-the-PTAB>. The PTO's guidance is available at https://www.uspto.gov/sites/default/files/documents/guidance_on_motions.
 - ⁴ *Western Digital Corp. v. SPEX Techs., Inc.*, IPR2018-00082 (April 25, 2018) (Paper 13).
 - ⁵ Statistics available at https://www.uspto.gov/sites/default/files/documents/PTAB_MTA_Study_%28Installation_4_-_update_through_03-31-2018%29.pdf.

⁶ The sole exception appears to be *K-40 Electronics, LLC v. Escort, Inc.*, IPR2013-00203 (May 21, 2014) (Paper 34), in which the PTAB heard live inventor testimony.