

Inter partes review burden of proof does not shift to patent owners

[Baker Donelson - USA](#)

[W Edward Ramage](#)

03 Aug 2016

On July 25 2016 the Federal Circuit in *In re: Magnum Oil Tools Int'l* firmly rejected the US Patent and Trademark Office (USPTO) argument that on the initial institution of an *inter partes* review proceeding, the burden of producing evidence supporting the validity of the patent claims shifts to the patent owner. Instead, the court held that the petitioner seeking to invalidate the patent claims continues to bear the burden of proving unpatentability, and must do so by a preponderance of the evidence.

Facts

The decision was in the appeal from an *inter partes* review proceeding before the Patent Trial and Appeal Board (PTAB). The petitioner sought to invalidate Mangum's hydraulic fracturing ('fracking') patent as being obvious in light of several proposed combinations of prior art. The PTAB determined that the petition met the threshold determination of a "reasonable likelihood" of prevailing, and instituted the *inter partes* review proceeding. In its final decision, the PTAB invalidated all the challenged claims on obviousness grounds.

After the PTAB decision, the petitioner and patent owner settled their dispute, and the petitioner withdrew from the matter. The patent owner then appealed the PTAB decision. By statute, in these circumstances the USPTO can intervene in the appeal, which it did in this case.

Federal Circuit decision

On appeal, the USPTO initially argued that Magnum was really challenging only the initial institution decision, which is unreviewable based on the Supreme Court's recent decision in *Cuozzo Speed Techs v Lee*. The Federal Circuit rejected this argument, stating that it had jurisdiction to review determinations made during institution that are subsequently incorporated into the final written decision. No aspect of a PTAB decision that is critical to its ultimate judgment is shielded by *Cuozzo*.

The USPTO's primary argument was based on burden shifting. While the petitioner in an *inter partes* review has the burden by statute of proving a proposition of unpatentability by a preponderance of the evidence, the USPTO argued that the institution decision by the PTAB established that there was a reasonable likelihood that the petitioner would prevail, and thus the burden shifted to the patent owner to demonstrate patentability.

The court firmly rejected this argument. It noted that an institution decision is preliminary, without the benefit of a full record, and is not binding: "The board is free to change its view of the merits after further development of the record, and should do so if convinced its initial inclinations were wrong." In addition, there is a significant difference between the standards of proof at institution (where a response by a patent owner is optional) compared to trial.

Turning to the merits, the Federal Circuit had little problem in determining that the petitioner had never met its burden of proof, and that the record was replete with examples of where the PTAB had improperly shifted the burden of proof. More specifically, the PTAB required Magnum to rebut the petitioner's assertions of obviousness, without first requiring the petition to provide evidence to support its assertions on such points as motivation to combine the prior art references. The court thus reversed the PTAB decision.

As a final argument, the USPTO argued that the PTAB could make an obviousness argument on behalf of the petitioner because the argument could have been included in a properly-drafted petition. The Federal Circuit found no support for the position that the PTAB was free to adopt arguments on behalf of the petitioners that could have been, but were not, raised by the petitioner during the *inter partes* review: "Instead, the Board must base its decision on arguments that were advanced by a party, and to which the opposing party was given a chance to respond."

The PTAB's growing reputation as a "patent death squad" has been much discussed. What is disturbing is that elements of this case suggest a mindset in some portions of the USPTO against the statutory presumption of validity that issued patents enjoy. Fortunately, the Federal Circuit's rejection of the USPTO's arguments in this case stop the field from tilting even further against patent owners.



W Edward
Ramage



For further information please contact:

W Edward Ramage
Baker Donelson
www.bakerdonelson.com
Email: eramage@bakerdonelson.com
Tel: +1 615 726 5600

Intellectual Asset Management (www.iam-media.com) reports on intellectual property as a business asset. The primary focus is on looking at how IP can be best managed and exploited in order to increase company profits, drive shareholder value and obtain increased leverage in the capital markets. Its core readership primarily comprises senior executives in IP-owning companies, corporate counsel, private practice lawyers and attorneys, licensing and technology transfer managers, and investors and analysts.