



In re Magnum Oil Tools International 829 F.3d 1364

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Donald J. Trump 
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Shifting the burden of persuasion and burden of production in an IPR is wrong!! Not on my watch!!

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14,958

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20,613



10:47 AM - 27 Oct 2017

 646

 15K

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History of In re Magnum Oil

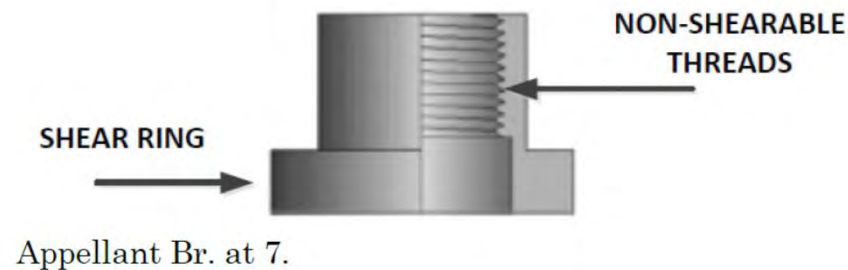
- Related district court litigation in S.D. Tex. filed by Magnum against McClinton, handled by JW
- U.S. Patents 6,796,376 and 8,079,413 on “frac plugs”
- McClinton filed IPR against ‘413 Patent, handled by another firm
- District court litigation settled shortly after Final Written Decision

Magnum PTAB Proceedings

- '413 Patent claims held obvious over 3 references (Lehr, Cockrell, Kristiansen)
- Obviousness – mixed question of law and fact
- Questions of fact include 1) scope and content of the prior art, 2) differences between the claimed invention and the prior art, 3) level of ordinary skill in the pertinent art, 4) motivation to combine, 5) objective indicia of non-obviousness.
- Questions of law include 1) claim construction, 2) consideration of conflicting references, 3) articulated reasoning with rational underpinning to support the legal conclusion of obviousness (KSR, 550 U.S. 398 at 418 (2007))

Magnum PTAB Proceedings

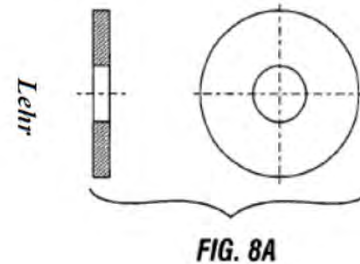
- In petition, McClinton introduced expert evidence on modification of Alpha reference (in light of Cockrell and Kristiansen), which disclosed a part:



- McClinton's expert argued that it would be obvious to remove the shear ring from the Alpha insert and add shearable threads.

Magnum PTAB Proceedings

- Board did not institute on Alpha, and instituted on Lehr (et al.) instead. Lehr disclosed a washer (“deformable release device”):
- Board said that same rationale for modifying Alpha applied to Lehr, but provided no explanation and relied on expert. But expert never addressed Lehr and incorporated Alpha analysis by reference.
- ALJ question from trial transcript: “Why are we talking about Alpha? It is not part of the trial.” But Alpha was mentioned in 1) Institution Decision, 2) P.O. Response, 3) Petitioner’s Reply, and 4) both expert declarations.



Magnum PTAB Proceedings

- From Lehr:

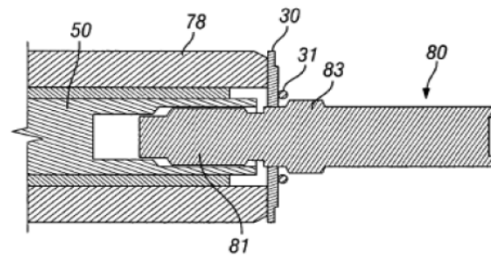


FIG. 3B

- From Institution Decision and Final Written Opinion: “Magnum does not explain why the simple substitute of shearable threads, as taught by Cockrell (Ex. 1005, 5:43-47, 54-60), for the pins that secure the deformable release device 30, as taught by Lehr (Ex. 1007 ¶ 0044,) would not yield a predictable result.”

Magnum Federal Circuit Appeal

- Appellant’s argument – focused on failure of McClinton or PTAB to articulate a rational underpinning to legal conclusion of obviousness
- PTAB? Can PTAB prove invalidity? No – burden of persuasion is on Petitioner and remains on Petitioner. *Belden Inc. v. Berk-Tek LLC*, 805 F.3d. 1064 (Fed. Cir. 2015).
- So, why “or PTAB?” To highlight uncertainty in law and regulations and make the CAFC address that issue.

Magnum Federal Circuit Appeal

- PTO's arguments:
- Magnum challenging institution decision, but it was clear that was not correct, because we repeatedly stated that we were not
- Institution decision = reasonable likelihood of success = shifts burden of production, CAFC says no.
- “not error for the Board to rely on an unpatentability theory that could have been included in a properly-drafted petition”
- Chenery chicanery – PTO never mentioned Chenery in brief, but was relying Chenery case law

Magnum Federal Circuit Appeal

- Chenery doctrine – an agency may not defend an administrative decision on new grounds not set forth by the agency in its original decision
- ***Fleshman v. West***, 138 F.3d 1429, 1433 (Fed. Cir. 1998) ([T]he [Chenery] doctrine does not require a remand to the agency if it is clear that ‘the agency would have reached the same ultimate result’ had it considered the new ground.”) (citation omitted)
- For ex parte prosecution appeals, means Board can be affirmed “on an unpatentability theory that could have been included in a properly-drafted petition”

Magnum Federal Circuit Appeal

- CAFC said PTO implied that board's conclusion on obviousness can be based on less than a preponderance of the evidence if P.O. fails to disprove obviousness
- CAFC agreed with Magnum that burden of persuasion never shifts to P.O.; burden of production can shift but is unrelated to burden of persuasion – depends on issue. Not for obviousness.
- Bottom line – institution decision does not shift burden of proving that the patent is patentable to Patent Owner. 829 F.3d at 1376.

Magnum Federal Circuit Appeal

- “Finally, we address the PTO’s assertion that the Board did not err in making an obviousness argument on behalf of McClinton based on the primary reference Lehr because this argument ‘could have been included in a properly-drafted petition.’ Intervenor Br. at 34 (citing *Cuozzo*, 793 F.3d at 1275).
- It is the petitioner that bears the burden of proof in IPRs, however. See 35 U.S.C. § 316(e) (“In an inter partes review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.’)”

Magnum Federal Circuit Appeal

- “It is true that the entire IPR process is one designed as an ‘efficient system for challenging patents that should not have issued,’ . . . But it is still a system that is predicated on a petition followed by a trial in which the petitioner bears the burden of proof. Given that framework, we find no support for the PTO’s position that the Board is free to adopt arguments on behalf of petitioners that could have been, but were not, raised by the petitioner during an IPR.
- 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.”
(citations omitted)

Magnum Federal Circuit Appeal

- “Here, ‘[i]t was [petitioner’s] burden to demonstrate both ‘that a skilled artisan would have been motivated to combine the teachings of the prior art references to achieve the claimed invention, and that the skilled artisan would have had a reasonable expectation of success in doing so.’
- Thus, while the PTO has broad authority to establish procedures for revisiting earlier-granted patents in IPRs, that authority is not so broad that it allows the PTO to raise, address, and decide unpatentability theories never presented by the petitioner and not supported by record evidence.”

Magnum Federal Circuit Appeal Hearing Transcript

- The Court – [W]e’re very interested in what the Director has to say about matters of law. [] But . . . the adjudicator is now coming in to defend your decision. That’s quite curious in the federal system.
- Solicitor – Well, your honor, we view our rationale for being here is to protect the public. In our view, a patent issued erroneously because it would have been obvious and so now the patent owner has lost at the Board and **our job now is to prevent the patent owner from regaining their patent because this invention or what’s claimed should be out in the public for free use of the public.**
- The Court – So the Director will always intervene on the side of eliminating the patent?

Aqua Products v. Matal 2017 U.S. App. LEXIS 19293 (Fed. Cir. 2017)

- Board held that amendment complied with the requirements of § 316(d) and 37 C.F.R. § 42.121(a)(2)(i)–(ii) (2015), but further held that Aqua had failed to prove the substitute claims were patentable.
- Board also failed to consider the entirety of the record before it when assessing the patentability of the amended claims.
- CAFC panel affirmed based on precedent (*Proxyconn*, *Prolitec*, *Nike*), and refused to address Aqua's contention that PTAB must consider the entirety of the record

Aqua Products v. Matal 2017 U.S. App. LEXIS 19293 (Fed. Cir. 2017)

- **En banc questions**
- (a) may the PTO require the patent owner to bear the burden of persuasion, or a burden of production, regarding patentability of the amended claims as a condition of allowing them? Which burdens are permitted under 35 U.S.C. § 316(e)?
- (b) When petitioner does not challenge, or the Board thinks the challenge is inadequate, may the Board sua sponte raise patentability challenges to such a claim? If so, where would the burden of persuasion, or a burden of production, lie?

Aqua Products v. Matal 2017 U.S. App. LEXIS 19293 (Fed. Cir. 2017)

- For (a):
- 7 of 11 CAFC members held that the PTO failed to interpret § 316(e) through adjudication and is not entitled to *Chevron* deference, that burden of persuasion lies with petitioner, and that PTAB must consider entirety of record.
- 6 of 11 CAFC members held that 316(d) places a default burden of production on the patentee.

Aqua Products v. Matal 2017 U.S. App. LEXIS 19293 (Fed. Cir. 2017)

- For (b):
- Record did not present this question, so it is preserved for another day. Possibly 11 for 11 on this question.