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July 27, 2016 — Seventy-one percent of patent claims for which inter partes review are instituted are canceled. You knew that. You knew your patent was subject to IPR cancelation by broadest reasonable construction. You knew your patent was subject to cancelation by preponderance of the evidence. You knew your patent was subject to cancelation with severely limited chance to amend the claims. But did you know your patent was subject to cancelation with you forced to carry the burden to prove you deserved your patent, even though no one told you? Well, it was, and you were.

In In re Magnum Oil Tools Int’l, Ltd., 2015-1300 (Fed. Cir. July 25, 2016), the Federal Circuit addressed a Patent Trial and Appeal Board decision in an IPR. The patent concerned fracking, oil drilling by hydraulic fracturing. Fracking has been so revolutionary that it has caused an oil glut, e.g. http://www.reuters.com/investigates/special-report/usa-northdakota-bust/. When the bust is over, North Dakota will become once again an incredible success in pumping oil to join Texas, other states, and Organization of Petroleum Exporting Countries in major oil production.

In the meantime, the bust is the present, and the PTAB considered a challenge to a patent on tools that set plugs into the holes that fracking drills in the ground. This is so the holes can be sectioned and each section “fracked.” The invented tool has screw threads that disintegrate when the tool is pulled out, which is good, because the tearing up of the threads releases the tool.
The PTAB gave death to all the challenged claims of the patent. The patent owner went to the Federal Circuit.

The challenger of the patent and the patent owner settled, and the challenger agreed to refrain from participating in the appeal. But the director of the U.S. Patent and Trademark Office intervened to keep up the appeal, and keep the potential to kill the patent ongoing.

The PTO positions appear wacky. The patent owner lost its patent. But the PTO argued that the patent owner was only arguing against the decision to institute the IPR. However, that decision was not subject to review. The Federal Circuit had little need to review that PTO argument at length. It made no sense.

On the merits, the patent owner argued that the challenger had never established a *prima facie* case of claim invalidity — never carried its burden in the first place. But the “PTO [took] the view that upon institution of an IPR, the Board’s [finding of a reasonable likelihood of success toward canceling the claims] operate[d] to shift the burden of nonobviousness to the patentee.” In the specific situation, the PTAB instituted IPR on references Lehr, Cockrell and Kristiansen. The PTO asserted “the burden of production shifted [to the patent owner] to argue or produce evidence … that Lehr, Cockrell and Kristiansen [did] not render [the claims] obvious.” Here is the astonishing part of the PTO’s position, quoted from the Federal Circuit opinion reversing the PTAB: “In making this argument, the PTO implies that the Board’s conclusion on obviousness in an IPR can be based on less than a preponderance of the evidence if the patent owner does not affirmatively *disprove* the grounds on which the IPR was initiated.”

Distinguishing as different a patent owner assertion of a date of invention before the critical date of a reference, the Federal Circuit said, “Where, as here, the only question is whether due consideration of the four *Graham* factors renders a claim or claims obvious, no burden shifts from the patent challenger to the patentee. … It is inappropriate to shift to the patentee after institution to prove that the patent is patentable.”

The Federal Circuit was having none of it, but will the PTO, and specifically the PTAB, change the mindset against patent owners that was apparently in play with all IPRs to date and first became visible with its arguments in this appeal? One can wonder.

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