



Professional Perspective

PTAB Issues Precedent

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The Patent Trial and Appeal Board, on June 11, 2020, made precedential a decision about what must be disclosed alongside settlement agreements, and then designated as informative three decisions regarding design patents, motions to amend and presentation of confidential information during oral arguments. This article reviews the decisions and offers takeaways for practitioners.

In the precedential decision *DTN, LLC v. Farms Technology, LLC*, IPR2018-01412, Paper 21, (PTAB June 14, 2019), the parties settled a pair of inter partes reviews (IPRs). The board ordered the parties to submit the settlement agreement as required under [35 U.S.C. Section 317\(b\)](#), as well as copies of collateral agreements referenced in the settlement, even though the patent owner was not a party to the earlier agreements. Pursuant to [35 U.S.C. Section 317\(b\)](#):

Any agreement or understanding between the patent owner and a petitioner, including any collateral agreements referred to in such agreement or understanding, made in connection with, or in contemplation of, the termination of an inter partes review under this section shall be in writing and a true copy of such agreement or understanding shall be filed in the Office before the termination of the inter partes review as between the parties.

The board noted that by “referring to the two collateral agreements, the settlement agreement includes the collateral agreements, as required by [35 U.S.C. Section] 317(b), regardless of whether patent owner Farms Technology LLC, and petitioner DTN LLC, are both parties to the collateral agreements.” “Thus, while the parties are correct that patent owner Farms Technology LLC is not a party to either one of the two collateral agreements, that fact does not exempt the two collateral agreements from the filing requirement of [Section] 317(b).”

The board cautioned that without the collateral agreements, parties in an IPR could just reference an outside agreement to shield the agreement terms from government review. According to the board:

Finally, interpreting § 317(b) in the manner proposed by the parties here would allow parties to IPR proceedings to circumvent the statute's filing requirement easily, thereby frustrating the purpose of the statute. The parties to an IPR proceeding could enter into a very short agreement between themselves, referring to a separate agreement between one or more related but different corporate entities than the parties to the IPR proceeding, either controlling or controlled by the parties to the proceeding. That separate agreement, which the parties here contend would be exempt from § 317(b), would contain all the terms the parties desire to insulate from review by “Federal Government agencies on written request” or “any person on a showing of good cause.” [35 U.S.C. § 317\(b\)](#).

Thus, we conclude the two Collateral Agreements fall under the scope of [35 U.S.C. § 317\(b\)](#).

In *Sattler Tech Corp. v. Humancentric Ventures, LLC*, PGR2019-00030, Paper 9 (PTAB July 26, 2019), the board instituted a post-grant review proceeding for a design patent after holding that the petitioner showed it was more likely than not that the claimed portions of the design were primarily functional, not ornamental. The board explained the overall criteria for determining functionality:

[A] design patent can be declared invalid if the claimed design is primarily functional rather than primarily ornamental, i.e., if the claimed design is dictated by the utilitarian purpose of the article. ... An article of manufacture necessarily serves a utilitarian purpose, and the design of a useful article is deemed to be functional when the appearance of the claimed design is dictated by the use or purpose of the article. ... If the particular design is essential to the use of the article, it cannot be the subject of a design patent. ... While analyzing elements of the design may be appropriate in some circumstances, the determination of whether the patented design is dictated by the function of the article of manufacture must ultimately rest on an analysis of its overall appearance. ... [A]lthough there is no particular test for determining whether a claimed design is dictated by its function[,] ... the availability of alternative designs [is] an important—if not dispositive—factor in evaluating the legal functionality of a claimed design. ... [A] full inquiry with respect to alleged alternative designs includes a determination as to whether the alleged alternative designs would adversely affect the utility of the specified article, such that they are not truly alternatives.

In *Kokusai Electric Corp. v. ASM IP Holding B.V.*, IPR2018-01151, Paper 38 (PTAB Aug. 20, 2019), the board terminated the proceeding due to settlement without reaching a decision on the patent owner's motion to amend. The board noted that it will generally terminate a proceeding after the filing of a settlement agreement. For example, the board explained the reasons for termination in this case as follows:

Given the parties' joint request, we must terminate the proceeding with respect to Petitioner unless we have decided the merits of the proceeding. ... In addition, if no petitioner remains in the inter partes review, the Office may terminate the review or proceed to a final written decision. ... Based on the facts of this case, we determine that it is appropriate to terminate this proceeding without rendering a final written decision or a decision on the Motion to Amend. Our reasoning is set forth below. ... A decision on Patent Owner's Motion to Amend, however, requires a determination as to the patentability of the substitute claims. ... Therefore, the fact that Petitioner has withdrawn its opposition as a consequence of the settlement of this proceeding does not remove the issue of patentability of the "non-contingent" substitute claims in deciding Patent Owner's Motion to Amend. ... Proceeding with an analysis of the patentability of the proposed substitute claims in this situation would not be an efficient use of resources.

The board explained that the patent owner may pursue the claims in a reissue or reexamination proceeding:

In light of the foregoing, the Joint Motion to Terminate is granted to the extent that this proceeding is terminated without reaching a decision on the Motion to Amend. This decision to terminate does not restrict Patent Owner from filing a reissue application or a request for reexamination to amend the claims ..., if the application is otherwise permitted.

In *Curt G. Joa, Inc. v. Fameccanica.data S.P.A.*, IPR2016-00906, Paper 61 (PTAB June 20, 2017), the board provided direction regarding the designation and use of confidential information during an oral hearing. For example, the board provided the following instructions for introducing confidential information:

After the parties' presentations during the open portion of the hearing ..., the courtroom shall be closed to persons not authorized to access confidential information. The court reporter shall be directed to mark as confidential the remaining portion of the transcript. The parties will each be allocated up to fifteen (15) minutes of argument relating to confidential information in a session closed to the public. The parties will proceed with their presentations during the closed session in the same order as set forth for the oral hearing generally. ...

Further, the parties are directed to refrain from including information designated as confidential in any demonstrative exhibit. During the portion of the hearing that is closed to the public, either party may direct the panel to specific confidential information being discussed by exhibit, page, and line number in the record.

Overall Significance

The board continues to provide clarity regarding procedures for instituting, conducting and settling IPRs via the issuance of precedential and informative decisions. These clarifications will be beneficial to petitioners and patent owners alike and should provide more predictability in the IPR process and allow the parties to focus more on substance as opposed to procedure. The following are some of the takeaways from the latest board decisions:

- Patent owners and petitioners are required to file all agreements, including collateral agreements referred in such agreements, made in connection with, or in contemplation of, the termination of an IPR, and the board will not terminate the IPR without them.
- The board will generally terminate a proceeding after the filing of a settlement agreement. Patent owners or petitioners that want to get certain filing entered prior to termination should plan accordingly.
- The board provided details on how to designate and use of confidential information during an oral hearing. For example, the board directed the parties to not include confidential information in any demonstrative exhibit. When confidential information is to be discussed and the hearing is closed to the public, either party may direct the board to the specific confidential information.

- The board clarified that the determination of whether a patented design is dictated by function is based on its overall appearance. The availability of alternative designs is important, and may be dispositive, in determining the design's functionality. For example, when an alternative design would adversely impact the utility of the article, it might not be considered a true alternative. Design applicants should therefore be cautious with their design filings and strategize and/or prioritize designs that have a strong link to functionality.

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