

## USING *EX PARTE* APPEALS TO ADVANCE KEY PATENTS TO FURTHER CORPORATE GOALS



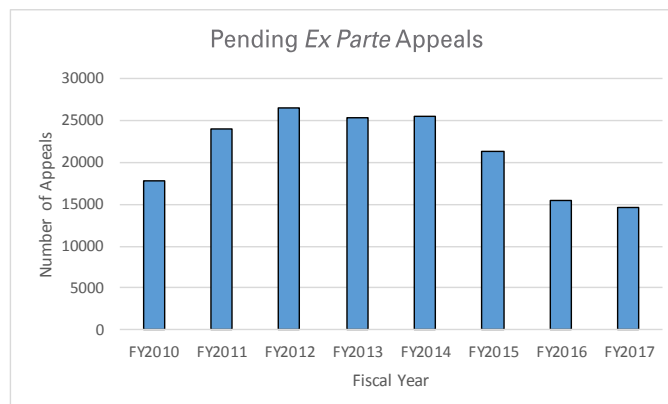
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Although much of the discussion lately has been focused on Patent Trial and Appeal Board (PTAB) trials, the U.S. Patent and Trademark Office (USPTO) has also taken an initiative to reduce the backlog of *ex parte* appeals and to reduce the average pendency of appeals of examiner rejections. In past years, to applicants, the PTAB guised itself as a black hole for appealing examiner decisions in slowly processing examiner rejections. In many instances, this led to applicants being forced to accept narrower claim language from examiners or applicants abandoning applications altogether due to prospective patent rights losing value in light of long wait times for the PTAB's decision on the appeal. In the past, the PTAB took an average of 2 ½ to 3 years to review an examiner's rejections. The latest statistics show that the PTAB now reviews decisions on average in 1 ½ years, and the USPTO's goal is to further reduce overall pendency to a year. This makes the appeal process much more attractive to applicants.

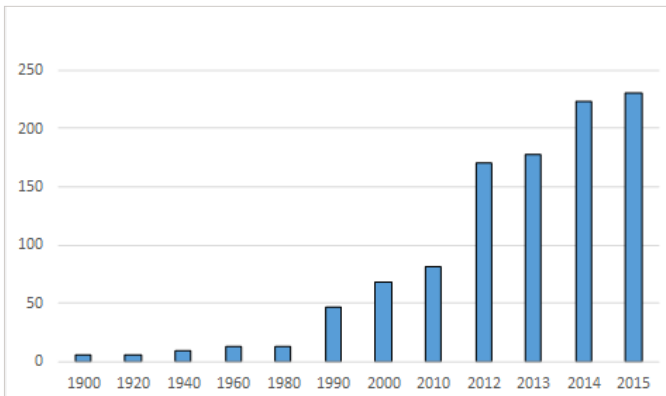
In many cases, dealing directly with the examiner will still lead to obtaining rights quicker than pursuing an appeal. However, special circumstances exist where it makes sense to appeal. For example, applicants can be faced with a difficult examiner, an incorrect application of art, or the invention may be highly important to the business. There are certainly no one-size-fits-all approaches in deciding whether to file an appeal, but in addition to the potential delay in obtaining rights, certain factors may include the likelihood of success, the overall importance of the case to applicants, costs associated with filing an appeal, and examiner statistics. Below we address some of the factors involved with the decision-making process in determining whether to appeal an examiner's rejection.

### CURRENT PENDENCY OF APPEALS AT THE PTAB

Applicants typically consider filing an appeal in instances where applicants regard the rejections to be improper and, as such, are not interested in amending the claims to advance prosecution. However, one main factor when deciding whether to appeal is the delay it will introduce. This factor appears



**Illustration No. 1** – Number of pending *ex parte* appeals from Fiscal Years 2010 to 2017 (Source: “USPTO Appeal and Interference Statistics,” March 31, 2017)



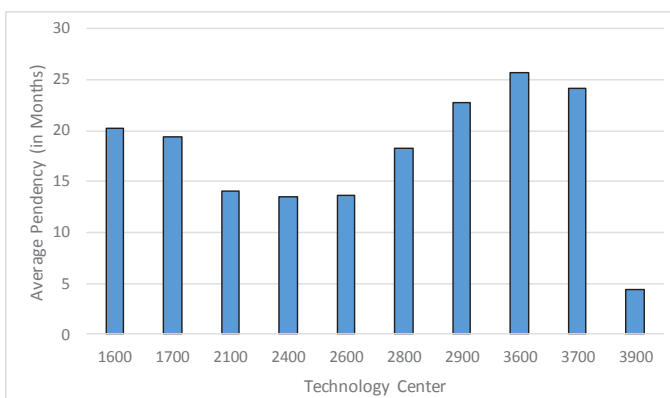
**Illustration No. 2** – Number of judges on the PTAB as of April 20, 2015 (Source: “Patent Trial and Appeal Board Update,” May 14, 2015)<sup>1</sup>

to be changing. One indication that *ex parte* appeals are proceeding through the PTAB at a faster pace is the trend in the overall reduction in pending *ex parte* appeals. Illustration No. 1 shows the number of pending appeals from Fiscal Year 2010 to Fiscal Year 2017. There has been a 43 percent reduction in pending *ex parte* appeals from Fiscal Year 2012 (the highest recorded year, and also when the America Invents Act (AIA) was enacted), in which 26,484 appeals were pending, to March 2017, in which only 14,611 appeals were pending.

This can be attributed to the increase in the headcount of PTAB judges brought by the AIA. As shown in Illustration No. 2, the most recent data shows that the PTAB (or the Board of Patent Appeals and Interferences prior to the formation of the PTAB in 2012) has been continuously increasing the number of its judge count at the PTAB, including a number

of judges who only handle *ex parte* appeals.

The average pendency of appeals varies depending on the particular technology at issue. Illustration No. 3 is a chart released by the USPTO showing a breakdown of the pendency of appeals based on the technology center. Technology Center 3600 “Construction, Electronic Commerce, Agriculture, National Security and License & Review Management Roster” and Technology Center 3700 “Mechanical Engineering, Manufacturing and Medical Devices/Processes Management Roster” have the highest pendency of appeals of around two years. These particular technology centers both include mechanical arts. Although, Technology Center 3600 includes some mechanical areas, it also includes electronic commerce, which is highly susceptible to ineligibility rejections under the Supreme Court’s decision in *Alice Corp. v. CLS*



**Illustration No. 3** – Pendency of appeals by technology center Fiscal Year 2017 (Source: “USPTO Appeal and Interference Statistics,” March 31, 2017)

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*Bank Int'l*, 573 U.S. \_\_\_, 134 S. Ct. 2347 (2014), so this may be why Technology Center 3600 receives many appeals of examiner rejections. Certain estimates indicate that recent *ex parte* appeals regarding ineligibility rejections have an even lower rate of successfully reversing the examiner's rejections.<sup>2</sup>

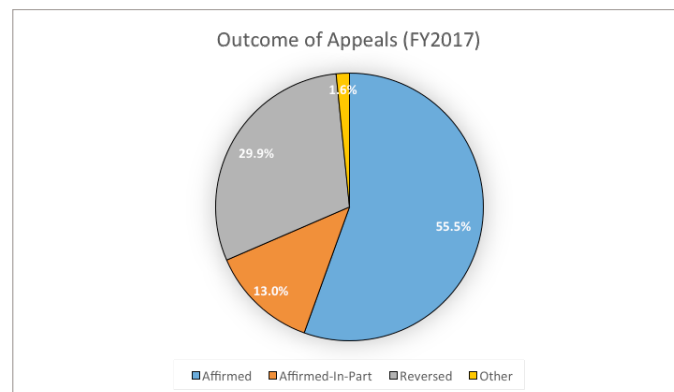
The lowest appeal pendency is Technology Center 3900 "Central Reexamination Unit" followed by Technology Center 2400 "Computer Networks, Multiplex Communication, Video Distribution, and Security," Technology Center 2600 "Communications," and Technology Center 2800 "Semiconductors, Electrical and Optical Systems and Components." The low pendency in Technology Center 3900 is likely due to the special nature of this technology center, which only handles requests for reexamination. Also the pendency of appeals of design cases from Technology Center 2900 is relatively higher, which may be somewhat of a surprise given that design cases are less complicated than utility applications.

### CHANCES OF SUCCESS IN WINNING AN APPEAL

In addition to the likely delay that would be caused by an appeal, an applicant must also contemplate the overall chance of success in winning an appeal. Unfortunately for

applicants, examiners have a slight advantage in winning at the PTAB, and Illustration No. 4 reflects this data. Applicants have a less than 50 percent chance at prevailing at the PTAB. Examiners are affirmed 55 percent of the time. Examiners are reversed completely 29.9 percent of the time and are reversed in part 13 percent of the time. However, this data should be reconciled with the fact that after filing the appeal brief, certain cases can be allowed after the appeal conference, meaning that at the appeal conference, the examiners decided that the case was allowable based on the arguments set forth in the appeal brief. For example, some estimates indicate 19 percent of appeal briefs filed lead to an allowance before reaching the PTAB and another 21 percent were pulled from the appeal cycle by the examiner via an office action.<sup>3</sup>

The fact that many cases are pulled from the appeal cycle may indicate that examiners will only send stronger rejections to the PTAB. During the appeal conference three examiners, typically the examiner, the examiner's supervisor, and a more senior examiner, meet and discuss the merits of the case. The examiners must agree on whether to continue to argue the rejection and to send the case to the PTAB for review. In certain instances, the examiners do not all agree, at which point the application may be allowed



**Illustration No. 4** – Appeal outcomes Fiscal Year 2017 (Source: "USPTO Appeal and Interference Statistics," March 31, 2017)

or prosecution may be reopened. Thus, when dealing with a more difficult examiner and a weaker rejection, submitting an appeal may be more attractive to applicants.

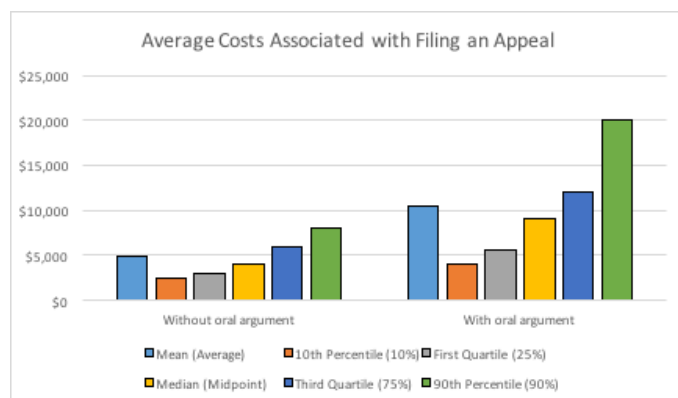
### **COSTS ASSOCIATED WITH FILING EX PARTE APPEALS**

Cost is also an important factor in deciding whether to appeal. Filing an appeal adds to the cost of any application. The rules provide that applicants are permitted to file an appeal, once the claims have been twice rejected. Filing an appeal involves filing a notice of appeal for a fee of \$800 for regular/large entities. After two months the applicant must submit an appeal brief. This contains all of the applicant's arguments and is likely the most expensive aspect of an appeal. The USPTO then conducts an appeal conference with the examiner handling the application and two other examiners from the art unit, one of which is the examiner's supervisory patent examiner or SPE. During the conference, the examiners must decide whether to maintain the rejection and send the case to the PTAB for review. In some instances, during the appeal conference, the examiners may decide to allow the application. However, if the examiners decide that the case should go to the PTAB, the examiner handling the application will draft an examiner's answer defending the grounds

of the rejection. Once the examiner's answer is mailed, the applicant may file an optional reply brief and optionally request an oral hearing. In order to send the case to the PTAB at this stage, the applicant must submit a fee of \$2,000. The applicant can also request an oral hearing by paying the required fee of \$1,300. Once the briefs and any oral argument have been considered, the PTAB issues its decision, which may reverse the examiner in whole or in part, affirm the examiner, or even set forth new grounds of rejection. Although the USPTO fees are reflected above, this does not include the attorney fees associated with the appeal. The average attorney fees are reflected below in Illustration No. 5, which shows the average costs associated with appealing an examiner's decision both with and without oral argument.

### **EXAMINER STATISTICS**

Whether to file an appeal may depend in large part on the particular examiner that is handling the case. Reviewing examiner data can be especially important when deciding whether to file an appeal with the USPTO. Many examiner statistics are tracked by legal research services. Generally, examiners that have higher allowance rates are likely to be more favorable to applicants and an appeal may not be necessary. When handling a case in front of an examiner with a higher



**Illustration No. 5 – Average costs associated with filing an appeal (Source: AIPLA 2015 Report of the Economic Survey)**

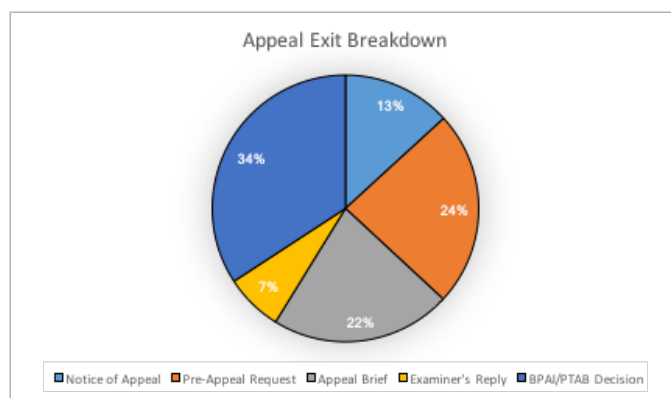
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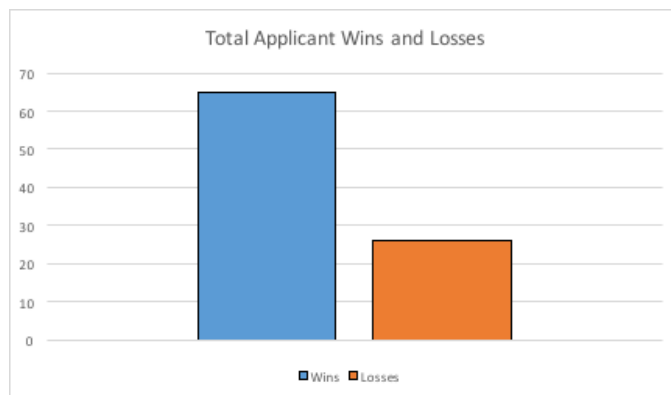
allowance rate and faced with a rejection, you may be able to discuss the case with the examiner and come to an agreement on allowable subject matter. On the contrary, if the examiner's allowance rate is low, an appeal may be a more strategic option.

Legal research providers also track various appeal statistics of examiners. Illustration

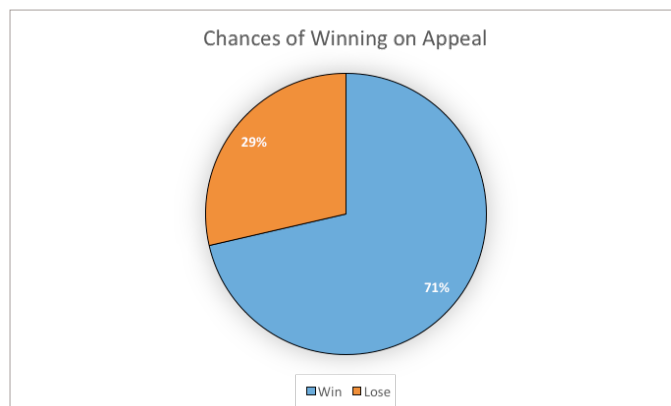
Nos. 6-8 illustrate some of the examiner data that is tracked by legal research services. For instance, applicants can also review appeal exit breakdowns, total applicant wins and losses, and whether a particular examiner has a low or high reversal rate at the PTAB. This data can be very useful in helping applicants decide whether to file an appeal.



**Illustration No. 6 –** Example examiner appeal record analysis (Source: LexisNexis PatentAdvisor)



**Illustration No. 7 –** Example examiner appeal record analysis (Source: LexisNexis PatentAdvisor)



**Illustration No. 8 –** Example examiner appeal record analysis (Source: LexisNexis PatentAdvisor)

## CONCLUSION

Applicants have a number of factors to ponder when deciding whether to file an appeal – including timing, cost, the examiner whose rejections are potentially being appealed, and the chances of winning an appeal. In most instances, on balance, it is more practical to deal with the examiner to accomplish the applicant's goals, and, ultimately, filing an appeal will most likely remain a last resort for applicants despite the improved pendency statistics. Filing an appeal may also add significant costs to the

application. However, now that the USPTO has reduced pendency, appeals have become a better tool to applicants, for example, where the invention is important and the applicant is faced with a difficult examiner. ■

1. "Patent Trial and Appeal Board Update," May 14, 2015; [https://www.uspto.gov/sites/default/files/documents/20150514\\_PPAC\\_PTAB\\_Update.pdf](https://www.uspto.gov/sites/default/files/documents/20150514_PPAC_PTAB_Update.pdf)
2. "Alice on Dulany Street: How the PTAB handles 101 in ex parte appeals," January 31, 2017; <http://www.ipwatchdog.com/2017/01/31/alice-dulany-street-ptab-handles-101-ex-parte-appeals/id=77800/>
3. "Ex Parte Appeal as a Potential Means to Quick Allowances," March 21, 2016; <http://www.ipwatchdog.com/2016/03/21/ex-parte-appeals-quick-allowances/id=67297/>

## BANNER & WITCOFF ATTORNEY SERVES AS VOLUNTEER JUDGE AT D.C.-AREA HIGH SCHOOL

One-hundred percent of graduates of Benjamin Banneker Academic High School, a magnet school located in Washington, D.C., are accepted into college. During a visit to Banneker High School in 2016, then President Barack Obama praised these achievements: "We have made a lot of progress in terms of making sure that young people across the country get the kind of great education that you're getting here at Banneker. And I am really proud of what we've accomplished. I'm proud of what the District of Columbia has accomplished."

Banner & Witcoff attorney Jeffrey H. Chang served, alongside scientists, teachers, and speechwriters, as a volunteer judge at the 2017 Banneker High School Science Fair on Feb. 24. In a turn of events, the organizers tasked Jeff with judging the chemistry projects, despite his background in electrical engineering. In addition to judging the numerous science fair projects and interacting with students, Jeff learned much from the projects, including the quality of local bodies of water in the D.C. area and which sports drinks truly contain the most electrolytes.

Banner & Witcoff's Pro Bono Committee, chaired by Darrell G. Mottley, supports local and national Science, Technology, Engineering and Math (STEM) programs that train the next generation of innovators and entrepreneurs.