10 Patent Prosecution, Litigation Practice Trends From 2020

By **James Dowd, Mark Selwyn, and Jose Valenzuela** (January 6, 2021)

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While 2020 was a year of unprecedented challenges, it also spurred ingenuity in the ways we practice and highlighted the centrality of intellectual property to the American economy. As we head into the promise of a new year, we pause to take stock of 10 practice trends from 2020.

1. Patent litigation increased significantly in 2020.

Despite COVID-19, 2020 was a robust year for patent litigation in the U.S. As of late December, 3,994 new patent cases were filed in U.S. district courts, which exceeds 2019's full-year total of 3,592 by nearly 11%.[1] This reverses the year-over-year declining trend since 2015 and surpasses 2017's total.

The year also demonstrated resilience and adaptation on the part of the patent bench and bar, changing the way we practice. Since mid-March 2020, in-person depositions have all been but unheard of, and few courts have held in-person hearings.

Yet the patent bench and bar responded by quickly developing new ways to practice effectively during the pandemic. The tools available to conduct remote depositions became remarkably good, we figured out ways to review confidential material remotely and securely, and we even conducted hearings and mock trials remotely.

Courts have also done an impressive job managing their rising caseloads and issuing decisions apace. To be sure, there are elements of the practice best done in person, and we look forward to the day when that can resume. But in the meantime, the patent bench and bar rose to the challenge.

2. The concentration of patent cases in five venues continued.

The consolidation of patent litigation in select venues continued in 2020. Just five districts accounted for more than 62% of patent cases filed last year,[2] with the U.S. District Court for the Western District of Texas displacing the U.S. District Court for the District of Delaware as 2020's top choice for plaintiffs.

Litigation over venue accompanied the concentration of cases in Texas, with two trends emerging. First, for cases filed in the Waco Division of the Western District of Texas, the court granted many motions for intradistrict transfer to Austin — resulting in an uptick of such motions. There were 45 such requests in 2020, all of which were granted.

Second, and conversely, the court was less receptive to motions for interdistrict transfer. Patent defendants filed 20 such motions in 2020, with the U.S. District Court for the Northern District of California requested most often as the preferred transferee forum. Of the 20 motions, 11 were denied, eight were granted,[3] and one was deferred.[4]

In November, the U.S. Court of Appeals for the Federal Circuit considered a denial of a motion to transfer from the Western District of Texas to the Northern District of California on a petition for a writ of mandamus in In re: Apple Inc.[5]

In that case, Apple promptly moved to transfer venue to and moved to stay pending resolution of its transfer motion. The court denied the stay and proceeded with claim construction and discovery, then denied transfer stating that the significant steps that had already occurred in Texas weighed heavily against transfer.[6]

Granting mandamus, the Federal Circuit found that "all the 'significant steps' undertaken by the court and parties in the case occurred after Apple moved for transfer [and] to stay the case."[7] It ruled that:

> once a party files a transfer motion, disposition of that motion should take top priority in the case. ... A district court's decision to give undue priority to the merits of a case over a party's transfer motion should not be counted against that party in the venue transfer analysis.

And it found that the district court had erred "by so heavily weighing Apple's general contacts with the forum that are untethered to the lawsuit," while simultaneously "failing to give weight to the 'significant connections between [the Northern District of California] and the events that gave rise to a suit.'"[8]

3. The intersection of IP and antitrust law continued to generate litigation.

The intersection of IP and antitrust law continued to generate considerable litigation and policy debate — and 2021 could bring interesting developments both inside and outside the courts. And that is true not only in the U.S., but overseas. For example, the Court of Justice of the European Union recently decided to take review of certain issues relating to the interplay of European competition law and allegedly standard-essential patents.

4. Inter partes review petitions rose, reversing a multiyear trend.

After peaking at 1,723 in 2017, the number of new inter partes review petitions fell in each of 2018 and 2019 to a low of 1,271. 2020 reversed this trend, however, with 1,422 new IPR petitions filed through late December.[9]

Consistently with past years, patents directed to computer, communications and e-commerce technologies led all IPR filings, with 445 such petitions filed through late December. The next largest segment of challenged patents covered semiconductors, memory, integrated circuits and optics/photocopying, with approximately 232 petitions in 2020. Collectively, these segments accounted for nearly half of all petitions filed last year.[10]

5. The success rate for IPR petitions declined significantly.

Success in petitioning continued to decline in 2020, largely due to an increase in discretionary denials following the Patent Trial and Appeals Board's precedential opinion in Apple Inc. v. Fintiv Inc.[11]

The Leahy-Smith America Invents Act requires petitioners to file their IPR petitions within "1 year after the date on which the petitioner ... is served with a complaint alleging infringement of the patent."[12] When first enacted in 2011, this was viewed as something

of a safe harbor — an otherwise meritorious petition filed within the statutory limitations period could expect institution.

Since about 2018, however, the PTAB has asserted that it has authority under Title 35 of the U.S. Code, Section 314(a) to deny institution of seemingly meritorious IPR petitions filed during this limitations period and has shown increased willingness to do so.[13]

In Fintiv, the PTAB solidified its nonexclusive, six-factor test to determine whether to exercise this purported discretion. These factors include:

1. The likelihood of a district court stay;

2. Whether trial is projected to occur before the deadline for the PTAB's final written decision;

3. The court's and parties' investment in the district court proceedings;

4. The overlap of issues;

5. The overlap of parties; and

6. Other circumstances that impact the board's exercise of discretion, including the merits.[14]

Notably, none of the Fintiv factors appears in the AIA. Yet they are now regularly used to deny institution when the PTAB concludes that pending district court litigation between the parties will reach trial on the validity question first.[15] In October, a panel of the Federal Circuit ruled that PTAB decisions denying institution based on Fintiv are not subject to appellate review.[16]

The PTAB's increased use of denials under Section 314(a) has affected the likelihood that filing an IPR petition will result in cancellation of the challenged claims. IPR institution rates fell 6% from 65% in 2018 to 59% in 2020.[17] The rate at which instituted IPRs result in a final written decision invalidating all challenged patent claims also dropped, from 63% in 2019 to 60% in 2020.[18]

In October, the U.S. Supreme Court granted certiorari in U.S. v. Arthrex Inc. to address whether PTAB administrative patent judges are principal officers under the appointments clause of the Constitution, Article 2, Section 2, Clause 2, requiring appointment by the president and confirmation in the U.S. Senate.[19] This will be one to watch in 2021.

6. The appealability of PTAB decisions to institute or not institute IPR remained a focus.

The appealability and scope of judicial review of PTAB decisions to institute IPR or not to institute IPR were a focus of both Supreme Court and Federal Circuit decisions in 2020, such as the Supreme Court's decision in Thryv Inc. v. Click-to-Call Technologies LP and the Federal Circuit's decision in Facebook Inc. v. Windy City Innovations LLC.[20]

These decisions provoked considerable attention and debate, in part because of their effect on the power of the PTAB. They go to the question whether and to what extent the PTAB's decisions on institution, even if inconsistent with the PTAB's statutory authority, are simply insulated from judicial review. There likely will be additional opportunities in 2021 for the

Federal Circuit and Supreme Court to evaluate issues relating to the appealability and scope of judicial review of PTAB decisions.

7. The pandemic did not slow the Federal Circuit.

Notably, the pandemic did not slow the Federal Circuit in terms of the number of decisions issued. The overall pace of decisions in 2020 was comparable to the last couple of years. The Federal Circuit issued fewer Federal Circuit Rule 36 summary affirmances in 2020 than in recent years, which is probably due to the fact that the Federal Circuit heard fewer oral arguments during the pandemic and generally does not affirm under Rule 36 without oral argument.[21]

The Federal Circuit's median disposition time for cases decided by a merits panel was actually slightly faster in 2020 than 2019.[22]

There will be an important transition for the Federal Circuit in 2021: Chief U.S. Circuit Judge Sharon Prost's term as chief will conclude, and U.S. Circuit Judge Kimberly Moore will become chief.

8. The Supreme Court declined repeated opportunities to address the standard for patent eligibility.

The issue of patent eligibility continued to be the focus of much discussion and debate in the IP community in 2020. While some have suggested that there is a need for the Supreme Court to readdress the criteria and test for patent eligibility, the Supreme Court turned down multiple petitions for certiorari in 2020 that would have afforded an opportunity to do so.

The last time that the Supreme Court issued a decision addressing the standard for patent eligibility under Title 35 of the U.S. Code Section 101 was seven years ago, in Alice Corp. v. CLS Bank International.[23]

9. Patent applications for artificial intelligence technologies continued to gain attention in the U.S. and worldwide.

In October, the U.S. Patent and Trademark Office published "Inventing AI," a report that traced the "diffusion" of artificial intelligence technologies in U.S. patents.[24] The report concluded that AI has become increasingly important for invention and that annual AI patent applications had increased to more than 60,000 by 2018.[25]

The report further concluded from an analysis of the location of AI-inventor patentees that "AI technologies are diffusing widely across U.S. states and counties," and that AI has the potential to be "as revolutionary as electricity or the semiconductor."[26]

AI technologies also attracted the attention of patent offices internationally in 2020. The Japan Patent Office, for example, issued a report in July titled "Recent Trends in AI-related Inventions," which found that the number of domestic applications for AI-related inventions had increased sharply since 2014, with about 4,700 in 2018.[27] The JPO found that applications relating to machine learning and neural networks were playing a major role.[28]

10. Patent owners contributed to the fight against COVID-19.

A significant bright spot during 2020 was patent owners' willingness to contribute their inventions to fight COVID-19. As the pandemic took hold, leaders from across industry and academia established consortia like the Open COVID Pledge to help fight the disease. This pledge asks patent owners to commit to making intellectual property relevant to COVID-19 freely available to anyone able to use it to fight the pandemic.[29]

More than 30 organizations signed on, granting free access to their intellectual property to COVID-19 researchers and scientists.[30] These efforts were joined by numerous similar patent technology pools and open licensing organizations around the world,[31] and have no doubt contributed to the extraordinary pace of recent vaccine development.[32]

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[1] Source: Lex Machina https://law.lexmachina.com/court/table?case_type=27 (report run on 12/29/20).

[2] In order by number of filings: (1) Western District of Texas (832), approximately 88% of which were filed in the Waco Division; (2) District of Delaware (731); (3) Eastern District of Texas (385); (4) Central District of California (292); and (5) Northern District of California (276). Source: Lex Machina https://law.lexmachina.com/court/table?case_type=27 (report run on 12/28/20).

[3] Of the eight granted inter-district transfers, six were filed in the Waco Division and two in the Austin Division. In three of the eight granted inter-district transfers, the defendant moved to dismiss under Fed. R. Civ. P. 12(b)(3), citing TC Heartland LLC v. Kraft Foods Grp. Brands LLC, 137 S. Ct. 1514 (2017). See VenKee Communications, LLC v. TP-Link Technologies Co., Ltd., 6-20-cv-00088 (W.D. Tex. July 13, 2020) ("Motion to Dismiss for Improper Venue under Rule 12(b)(3)"); National Steel Car Limited v. The Greenbrier Companies, Inc., 6-19-cv-00721 (W.D. Tex. Feb. 28, 2020) ("Motion to Dismiss or Transfer Venue under Rule 12(b)(3) and 28 U.S.C. § 1406(a)"); Terrestrial Comms LLC v. NEC Corporation, 6-19-cv-00597 (W.D. Tex. Jan. 21, 2020) ("Motion to Dismiss Plaintiff's Complaint, or Alternatively to Transfer Venue"; motion cited Fed. R. Civ. P. 12(b)(3) and both 28 U.S.C. § 1404(a) and § 1406(a)). For the other five motions, the defendant moved to transfer under 28 U.S.C. § 1404(a).

[4] Source: Docket Navigator (report run on 12/29/20).

[5] In re Apple Inc., No. 20-135, Docket 55 (Fed. Cir. Nov. 9, 2020) (Order granting writ of mandamus), available at http://www.cafc.uscourts.gov/sites/default/files/opinions-orders/20-135.ORDER.11-9-2020_1682410.pdf.

[6] Id. at 13.

[7] Id. at 14.

[8] Id. at 17-18 (quoting In re Acer Am. Corp., 626 F.3d 1252, 1256 (Fed. Cir. 2010)).

[9] Source: Docket Navigator https://search.docketnavigator.com/patent/binder/298255/13 (report run on 12/29/20).

[10] Source: Docket Navigator https://search.docketnavigator.com/patent/binder/298255/12 (report run on 12/29/20).

[11] Apple Inc. v. Fintiv Inc., No. IPR 2020-00019, 2020 WL 2126495 (P.T.A.B. Mar. 20, 2020).

[12] 35 U.S.C. § 315(b).

[13] See, e.g., NHK Spring Co. v. Intri-Plex Technologies, Inc., No. IPR2018-00752, 2018 WL 4373643 (P.T.A.B. Sept. 12, 2018).

[14] Fintiv, 2020 WL 216495, at *2.

[15] See, e.g., Ethicon, Inc. v. Bd. of Regents, Univ. of Tex. Sys., No. IPR2019-004-6, 2020 WL 3088846 (P.T.A.B. June 10, 2020); Cisco Sys., Inc. v. Ramot at Tel Aviv Univ. Ltd., No. IPR2020-00484, 2020 WL 4820592 (P.T.A.B. Aug. 18, 2020).

[16] In re: Cisco Systems Inc., No. 2020-148, 2020 WL 6373016, at *2 (Fed. Cir. Oct. 30, 2020) ("We lack jurisdiction under 28 U.S.C. § 1295(a)(4)(A) to hear Cisco's appeals.").

[17] Source: Docket Navigator https://search.docketnavigator.com/patent/binder/298255/12 (report run on 12/29/2020).

[18] Source: Lex Machina https://law.lexmachina.com/ptab/?trial_types-include=204&final_decision_date-from=2020-01-01&final_decision_date-to=2020-12-29&filters=true&tab=ptab_trial_flow&view=analytics&cols=127 (2020); https://law.lexmachina.com/ptab/?trial_types-include=204&final_decision_date-from=2018-01-01&final_decision_date-to=2018-12-31&filters=true&tab=ptab_trial_flow&view=analytics&cols=127(2018) (report run on 12/29/2020).

[19] United States v. Arthrex Inc., __ S.Ct. __, 2020 WL 6037206, at *1 (Oct. 13, 2020) (No. 19-1434) (cert. granted).

[20] Thryv, Inc v. Click-To-Call Techs., LP, 140 S. Ct. 1367 (2020); Facebook, Inc. v. Windy City Innovations, LLC, 973 F.3d 1321 (Fed. Cir. 2020).

[21] Compendium of Federal Circuit Decisions, The Federal Circuit Data Project - University of Iowa, https://empirical.law.uiowa.edu/compendium-federal-circuit-decisions (last visited 12/29/20).

[22] Median Disposition time for Cases Decided by Merits Panel, United States Court of Appeals for the Federal Circuit, http://www.cafc.uscourts.gov/sites/default/files/the-court/statistics/06_Med_Disp_Time_MERITS_Line_Chart.pdf (last visited 12/29/20).

[23] Alice Corp. Pty. v. CLS Bank Int'l, 573 U.S. 208 (2014).

[24] Office of the Chief Economist, Inventing AI, USPTO (Oct. 2020), https://www.uspto.gov/sites/default/files/documents/OCE-DH-AI.pdf.

[25] Id. at 2.

[26] Id. at 21.

[27] Patent Examination Department, Recent Trends in AI-Related Inventions¸ Japan Patent Office, 4 (July 2020) available at https://www.jpo.go.jp/e/system/patent/gaiyo/ai/document/ai_shutsugan_chosa/report.pdf.

[28] Id. at 5.

[29] The Pledge, Open Covid Pledge, https://opencovidpledge.org/the-pledge/ (last visited 12/29/20).

[30] Pledgors, Open Covid pledge, https://opencovidpledge.org/partners/ (last visited 12/29/20).

[31] COVID-19 Intellectual Property and Data Sharing Collaborations, Madisonian (collecting organizations) http://madisonian.net/covid-19/ (last updated 8/6/20).

[32] See Could lifting patents speed up access to life-saving COVID-19 drugs?, The World – PRI (Apr. 10, 2020), https://www.pri.org/stories/2020-11-06/could-lifting-patents-speed-access-life-saving-covid-19-drugs.