



THINK FORWARD

The Ultimate Burden of Proof Remains with Petitioner Throughout an Inter Partes Review

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On July 25, 2016, the Federal Circuit, in *In re Magnum Oil Tools Int'l*, reversed the final decision of an *inter partes* review (IPR) proceeding because the Patent Trial and Appeal Board (PTAB) never established a *prima facie* basis for its obviousness determination and did not require the petitioner to meet its burden of proof under the preponderance of the evidence standard. McClinton Energy Group, LLC, the petitioner, filed an IPR petition challenging the validity of a patent directed towards a hydraulic fracturing plug used in oil drilling. The PTAB determined that all challenged claims of the patent were obvious and therefore unpatentable under 35 U.S.C. § 103. The patent owner, Magnum Oil Tools, appealed, and the Patent Office intervened. The Federal Circuit reversed the PTAB on appeal, noting that the PTAB's error in shifting the burden of proof from the petitioner to the patent owner resulted in a final decision lacking sufficient rationale.

Erroneous Burden-Shifting Framework

The PTAB implemented an improper burden-shifting framework where, upon institution of the IPR based on a demonstration of a reasonable likelihood of success, the initial burden of proving obviousness was met by the petitioner, and the burden shifted to the patent owner to disprove the petitioner's claims. However, the Federal Circuit stated that the burden of persuasion requires the petitioner to prove its claim of unpatentability and that the burden is not shifted to a patent owner in "the adjudicatory context of an IPR." Additionally, the burden of production (to produce evidence and argument as needed during a proceeding) does not shift to the patent owner upon institution. Instead, an initial decision of institution is based on a preliminary review and a final decision is based on the totality of the record.

Lack of Substantial Evidence

Further, the Court found that the PTAB improperly relied on a primary prior art reference that was merely "incorporated by reference" in the petition. The PTAB instituted review of the patent at issue based on a primary reference in view of two secondary references. However, the petitioner only presented substantive arguments based on a different primary reference and merely "incorporated by reference" its arguments for the primary reference upon which institution was based. The Federal Circuit found that this was improper despite the PTAB's assertion that it can make arguments that "could have been included in a properly-drafted petition" to invalidate a patent. The final decision, the Court noted, must be based on arguments that were actually raised by the petitioner, in accordance with the petitioner's burden of proof, and to which the opposing party was given the opportunity to respond.

Takeaways

Going forward, IPR petitioners should appreciate that their burden of proving invalidity does not end upon institution of an IPR petition. Rather, until the final written decision, petitioners must continue to put forth persuasive evidence and arguments in support of their position. Further, when filing an IPR petition, petitioners should avoid “incorporating by reference” additional primary references and instead articulate particularized reasoning why each individual primary reference invalidates the challenged patent.

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