

# Trends in Post Grant Review Patent Proceedings

Evelyn Mak  
Joseph Haag

WILMERHALE 

WILMER CUTLER PICKERING HALE AND ODDI LLP

## Discussion Topics

- Statistics on Post Grant Proceedings
- IPR as Part of a Litigation Strategy
- Patent Owner's Strategy in an IPR
- Motions to Exclude Evidence
- IPR Termination

## Post Grant Proceedings to Date

- 2397 IPR Petitions Filed
- 291 CBM Petitions Filed
- 245 Final Written Decisions
  - In about 76% of decisions, at least one claim found to be invalid
  - In about 60% of decisions, all challenged claims found to be invalid
- 144 Appeals Filed (as of Jan. 24)
  - 120 IPR Appeals
  - 24 CBM Appeals

As of 1/29/2015

WilmerHale

3

## Post Grant Proceedings to Date

Activity	IPRs	CBMs
Petitions Filed	2397	291
Patent Owners Filing Preliminary Response	1482 (81%)	199 (88%)
Patent Owners Waived Preliminary Response	341 (19%)	26 (12%)
Decisions on Institution	1414	171
Trials Instituted	988 (75%)	127 (75%)
Joinders	102	1
Trials Denied	324 (25%)	43 (25%)

As of 1/29/2015

WilmerHale

4

## Breakdown by Technology Area

- For FY15 Through Jan. 29, 2015:

Technology Area	No.	%
Electrical / Computer	389	63.1%
Mechanical / Business Method	150	24.3%
Bio / Pharma	50	8.1%
Chemical	26	4.2%
Design	2	0.3%

As of 1/29/2015

WilmerHale

5

## Stays to District Court Litigation

- District courts have issued over 500 orders on motions to stay litigation pending IPR and CBM review
  - 420 orders on requests to stay pending IPR
    - 290 (69%) granted or granted-in-part a stay
  - 85 orders requests to stay pending CBM
    - 58 (68%) granted or granted-in-part a stay

WilmerHale

6

## Settlements of District Court Litigation

- As of April 2014, 117 cases with IPRs settled:
  - 53 (45%) settled before institution
  - 64 (55%) settled after institution
  - 105 (90%) of the settlements were within 9 months of filing
- As of January 22, 2015:
  - 356 cases with IPRs settled
  - 49 cases with CBMs settled

## IPR as Part of a Litigation Strategy

- Factors for a Defendant/Petitioner to consider in determining an IPR strategy at the outset of a case
  - Timing
  - Claim Construction
  - Estoppel
  - Settlement
  - Multiple Defendants / JDG



## Timing

- No later than 1 year after date of service of complaint alleging patent infringement
- Filing quickly can increase the likelihood of obtaining a stay of litigation
- But filing quickly can also present challenges
  - Requires developing invalidity defenses early in the case
  - Plaintiff may not yet be required to identify asserted claims
    - May need IPRs to cover all patents/claims, which is time-consuming and expensive
    - If IPR can't cover all claims (e.g., too many patents/claims), patent owner may be able to refocus litigation on non-challenged claims



## Claim Construction

- IPR may be timed so that patent owner's response is filed in PTAB before (1) obtaining discovery on accused products and (2) *Markman* in district court
- IPR may force patent owner to develop its patentability positions early
  - Patent owner may not have full knowledge of accused products
  - Patent owner may need to narrowly construe claims to preserve validity, which may provide petitioner with non-infringement defenses
  - Petitioner can use patent owner's distinctions over the prior art to support narrower constructions in district court

## Claim Construction

- With parallel IPR and district court proceedings, there may be an issue of potentially competing claim constructions
- The PTAB will apply a broader claim construction standard than in the district court
  - PTAB Standard: Broadest reasonable interpretation
  - District Court Standard: Ordinary and customary meaning to a person of ordinary skill in the art at the time of the invention

## Claim Construction

- *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*, No. 13-854 (S. Ct. Jan. 20, 2015)
  - Supreme Court held that the Federal Circuit must apply a clear error standard of review when considering a district court's subsidiary fact-finding in claim construction
  - Federal Circuit will continue to review *de novo* a district court's ultimate interpretation of patent claim terms
  - When district court reviews only intrinsic evidence, claim construction will remain a pure issue of law subject to *de novo* review
  - Impact of *Teva* decision on IPRs?



## Estoppel

- Applies to any grounds raised or that reasonably could have been raised
- Only applies to publication prior art
  - Does not apply to prior art products/systems
- Need to balance the potential effect of estoppel with other considerations
  - How would the invalidity case be tried in district court?
  - Are there aspects of the invalidity case that are better addressed by someone with a technical background in the USPTO?
  - How does the standard of claim construction and burden of proof at the USPTO compare to the district court?



## Settlement

- Filing early can put pressure on patent owner to settle and terminate IPR:
  - Requires patent owner to defend validity early in the case
  - May need to narrowly construe claims to preserve validity, which may result in a weaker infringement case
  - Increases risk for patent owner that has sued multiple defendants or plans to engage in multiple rounds of lawsuits
- But a settlement does not guarantee the termination of an IPR
  - PTAB is less inclined to terminate when settlement occurs late in the proceeding
  - Patent owner should not wait too long to settle

## Multiple Defendants / JDG

- When a co-defendant files an IPR, is it better to stay out or join?
- Different factors to consider
  - Estoppel applies to all parties participating in IPR
  - Defendants who do not participate in IPR may have an invalidity case based on other publication prior art different from that raised in IPR
  - Strength of other publication prior art and prior products/systems
  - Difficulties presented by joint defense groups if not everyone has joined IPR

## Multiple Defendants / JDG

- If you decide ***not*** to join in the IPR
  - Critical to avoid JDG communications that could create “real party-in-interest” issues
  - IPR petition must identify all real parties-in-interest
    - Any party found to be a real party-in-interest will be barred by estoppel
    - Law in this area continues to develop
  - Plaintiff/patent owner firms are focusing on this issue

## Multiple Defendants / JDG

- *ZOLL Lifecor Corp. v. Philips Electronics North America, et al.*, IPR2013-00612, *appeal dismissed*, 577 Fed. App'x 991 (Fed. Cir. 2014)
  - PTAB determined that ZOLL Medical (petitioner's parent company) was a real party-in-interest because it exercised control over the petitioner's business
  - This determination was significant for two reasons
    - The IPR petition did not identify all real parties-in-interest because ZOLL Medical was not identified as a real party-in-interest
    - The IPR petition was untimely because ZOLL Medical was served with a complaint more than one year before filing of petition

## Patent Owner's Strategy in an IPR

- Determining a Plaintiff/Patent Owner's strategy in response to an IPR
  - Patent Owner Preliminary Response
  - Motions to Amend the Patent in IPR

## Patent Owner Preliminary Response

### Do You File a Preliminary Response?

- Knock out statutorily-barred petitions
  - Petition filed more than 1 year after date of service of compliant alleging patent infringement
  - Petitioner previously filed DJ action challenging patent validity
- Real party-in-interest or privity issues
- Challenge status of references as prior art
- Claim construction issues

## Patent Owner Preliminary Response

### Do You File a Preliminary Response?

- Particular distinctions between the claim and prior art
  - Failure of petition or prior art to address claim limitations
  - Failure to provide motivation to combine
  - Secondary considerations of non-obviousness
- Impact on Board
- Consider implications with respect to infringement
- Concurrent litigation – stayed or not stayed

## **Motions to Amend the Patent in IPR**

- Patent owners may file one motion to amend the claims after conferring with the PTAB
  - Any additional motion to amend requires PTAB authorization, and good cause or joint request to advance settlement
- Typically filed with Patent Owner Response
- Can cancel a challenged claim or propose a reasonable number of substitute claims
- As of Jan. 1, 2015, motions to amend have been denied for 93% (280/302) of substituted claims presented to the PTAB

## **Motions to Amend the Patent in IPR**

- For each substitute claim, must show support in the original specification for every claim limitation and support in each earlier-filed disclosure for which priority is sought
- Substitute claims must respond to ground of unpatentability involved in trial, and must not seek to enlarge claim scope
- Patent owner bears burden of proof in showing that it is entitled to the substitute claims
- Should provide a proposed claim construction for any newly added feature(s) that can reasonably be thought to be in dispute

## **Motions to Amend the Patent in IPR**

- Patentability
  - Must show patentability over art in IPR and all known prior art
    - For newly added features, "it should be revealed whether the feature was previously known anywhere, in whatever setting, and whether or not the feature was known in combination with any of the other elements in the claim"
  - Should explain the level of skill in the art as it relates to the newly added features
  - May be helpful to rely on expert declaration(s)
  - Cannot simply make conclusory statements of patentability

## **Motions to Amend the Patent in IPR**

- IPRs 2013-00402 and 2013-00403 (Dec. 30, 2014)
  - PTAB granted contested motions to amend in related patents
  - Patent owner did not file a Patent Owner Response for either IPR, but instead filed a motion to amend, which the Petitioner opposed
  - Patent owner did not file an expert declaration in support of its motion to amend
  - Two of the proposed substitute claims survived in each IPR

## **Motions to Exclude Evidence**

- A party wishing to challenge admissibility of evidence must:
  - Make a timely objection
  - Preserve the objection by filing a motion to exclude
- Do not need prior authorization of the PTAB
- Timing set in the Scheduling Order

## **Trends for Motions to Exclude**

- PTAB generally rejects motions to exclude
- Out of approximately 233 motions to exclude, PTAB has:
  - Granted 28 motions at least in part
  - Denied 204 motions
  - Ordered additional briefing on 1 motion
- PTAB is hesitant to exclude evidence, but it is more likely to do so based on:
  - Untimely submission of new evidence/arguments
  - Evidence with clear deficiencies, such as inadmissible hearsay or a failure to file/produce supporting documents for an expert declaration



## Strategic Considerations for Motions to Exclude

- Motions to exclude can be used effectively even if they are denied
- Consider using motions to exclude to highlight deficiencies or weaknesses in evidence
- Be selective with motions to exclude
  - Broad objections can detract from most important motions and risk sanctions
  - Consider risk of waiving objections
  - Consider risk that a successful motion could create an appealable issue



## IPR Termination

- 35 U.S.C. §317: “An *inter partes* review instituted under this chapter shall be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed.”
- However “the Board is not a party to the settlement and may independently determine any question of jurisdiction, patentability, or Office practice.”  
37 C.F.R. § 42.74(a)

## The USPTO Position on IPR Termination

- “There are strong public policy reasons to favor settlement between the parties to a proceeding” 77 Fed. Reg. 48756, 48768, para. (N) (Aug. 14, 2012) (“The Trial Practice Guide”)
- “The Board expects that a proceeding will terminate after the filing of a settlement agreement, unless the Board has already decided the merits of the proceeding.” 77 Fed. Reg. 48756, 48768, para. (N) (Aug. 14, 2012) (“The Trial Practice Guide”)

## Appeal of IPR

- *In Re Cuozzo Speed Technologies, LLC*, No. 2014-1301 (Fed. Cir., Feb. 4, 2015)
  - First Federal Circuit ruling on an IPR (IPR2012-00001)
  - In a 2-1 decision, the Federal Circuit found:
    - It lacked jurisdiction to review the PTO’s decision to institute IPR
    - It affirmed the Board’s final determination
    - It found no error in the Board’s claim construction under the broadest reasonable interpretation standard, the Board’s obviousness decision, and the Board’s denial of the patentee’s motion to amend