

Post-Grant Trends: The PTAB Strikes Back

Peter Dichiara

Greg Lantier

Don Steinberg

Emily Whelan



Attorney Advertising

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Speakers



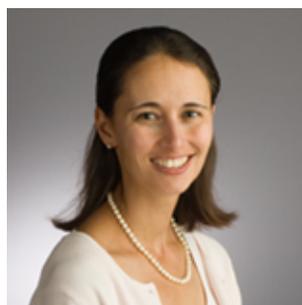
Peter Diciara
Partner
Intellectual Property



Donald Steinberg
Partner
Chair, Intellectual Property Department



Gregory Lantier
Partner
Intellectual Property Litigation



Emily Whelan
Partner
Intellectual Property



PTAB AIA Trends and Statistics

- Institution and Invalidation Rates: Timeline of Numbers and Perspectives
- Motions to Amend
- Biopharmaceutical IPRs
- Hedge Fund IPRs
- District Court Stays
- Federal Circuit Appeals

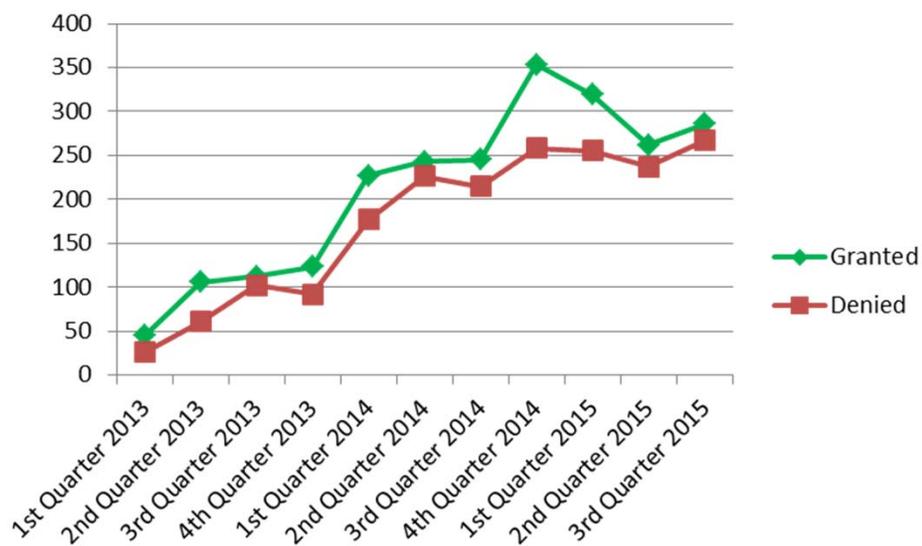


INSTITUTION AND INVALIDATION RATES: Timeline of Numbers and Perspectives

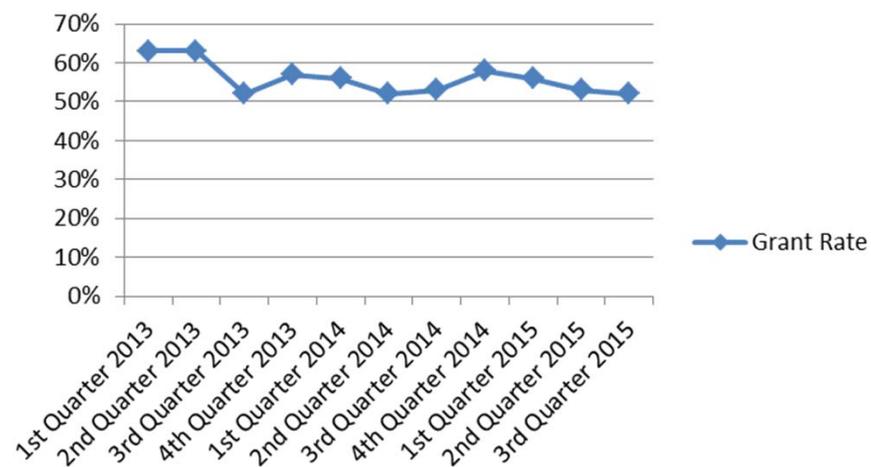


Institution Rate for IPRs by Ground

Timeline of Institution for Prior Art Grounds



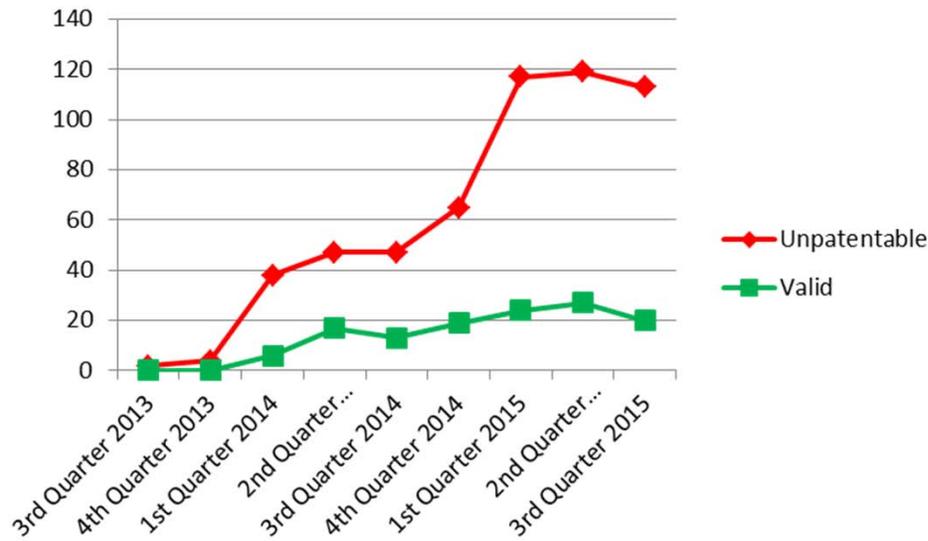
Institution Rate By Ground



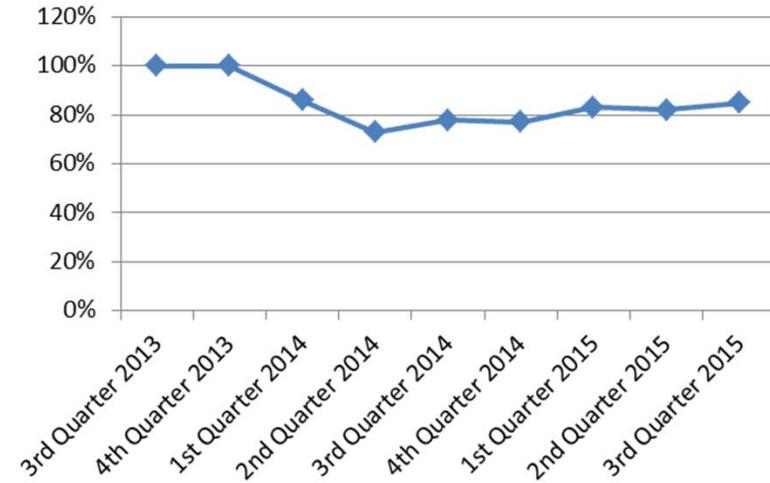


IPR Final Written Decision Results

IPR Final Decision



Invalidation Rate

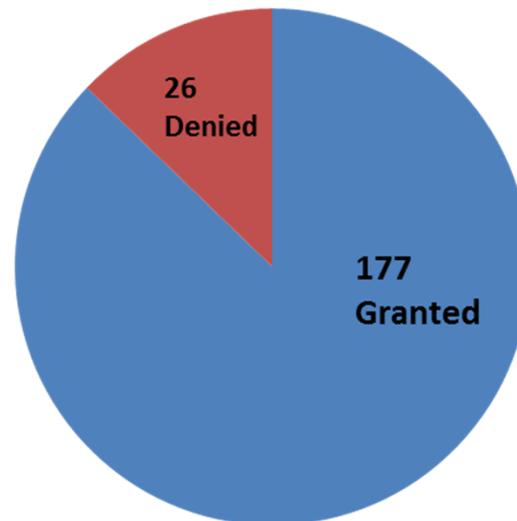




Institution and Invalidation Rates

Timeline of Numbers and Perspectives

- September 2012 – AIA petitions available
- FY 2013 Institution statistics:



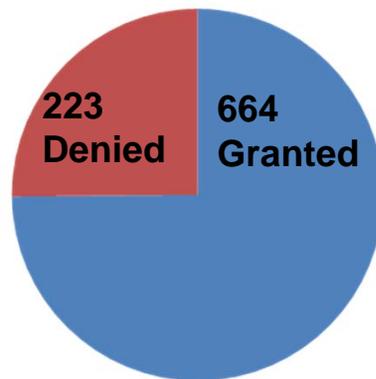
- 87% Grant Rate



Institution and Invalidation Rates

Timeline of Numbers and Perspectives

- **October 2013** – CAFC Chief Judge Rader refers to PTAB as a “death squad” that is “killing property rights”
- **FY 2014** Institution statistics:



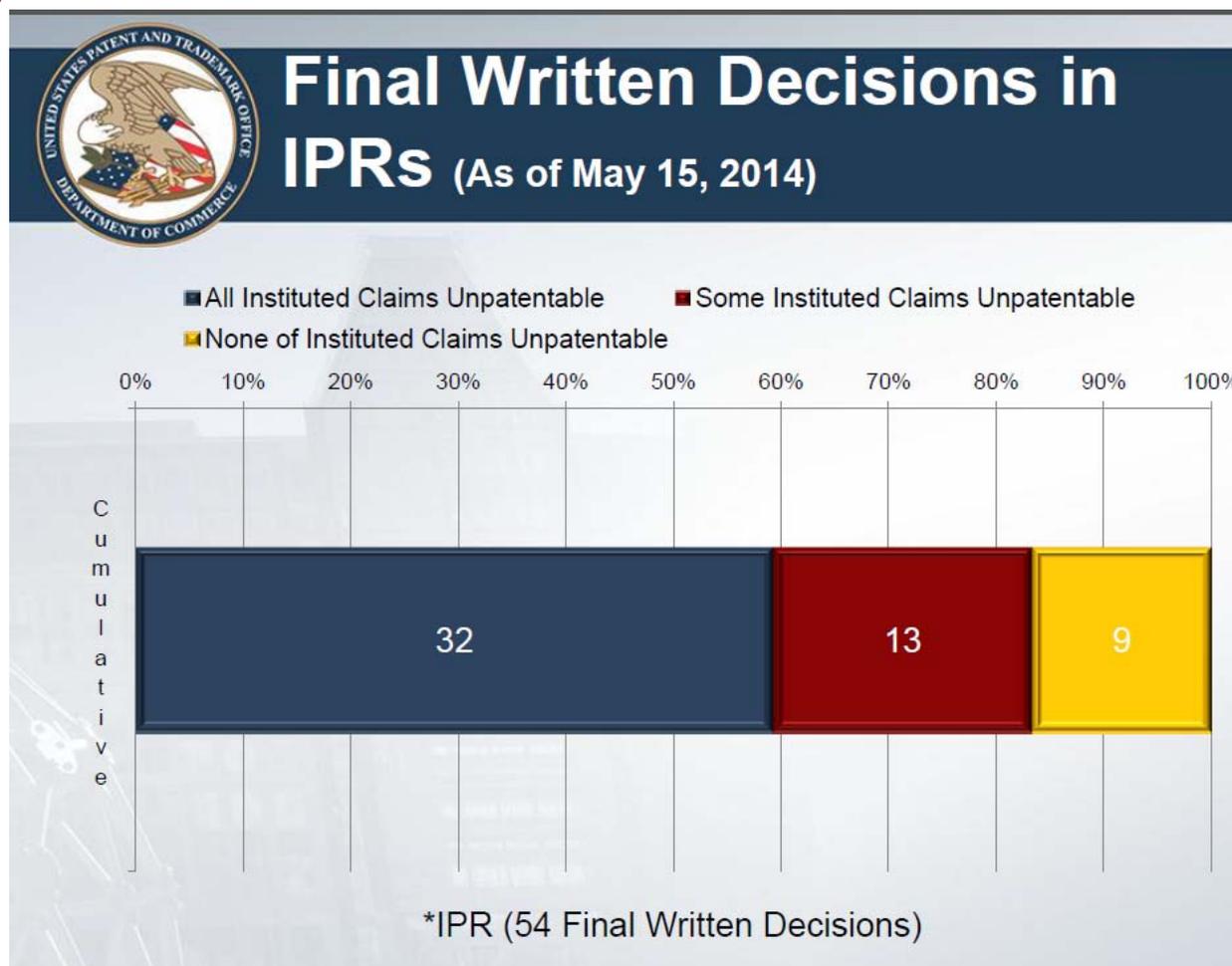
- **75% Grant Rate**

Institution and Invalidation Rates



Timeline of Numbers and Perspectives

- May 2014 USPTO Slide:





Institution and Invalidation Rates

Timeline of Numbers and Perspectives

- **August 2014** – PTAB Chief Judge James Smith

“If we weren’t, in part, doing some ‘death squadding,’ we would not be doing what the statute calls on us to do.

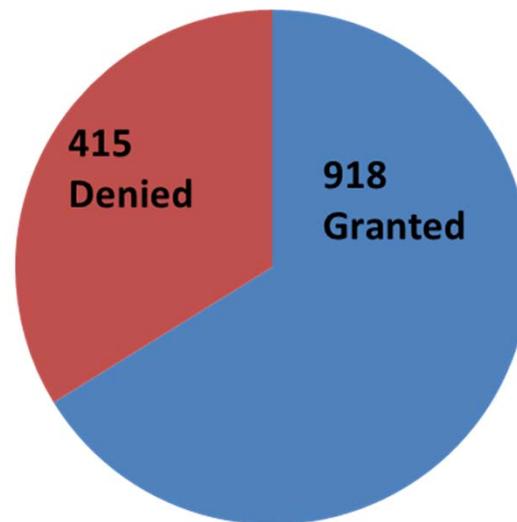
The question is, are we hearing each case independently and deciding with no bias what the right answer is based on the evidence presented ... That is always what we intended to do and the only thing we have done since the proceedings began.”



Institution and Invalidation Rates

Timeline of Numbers and Perspectives

- FY 2015 Institution statistics:



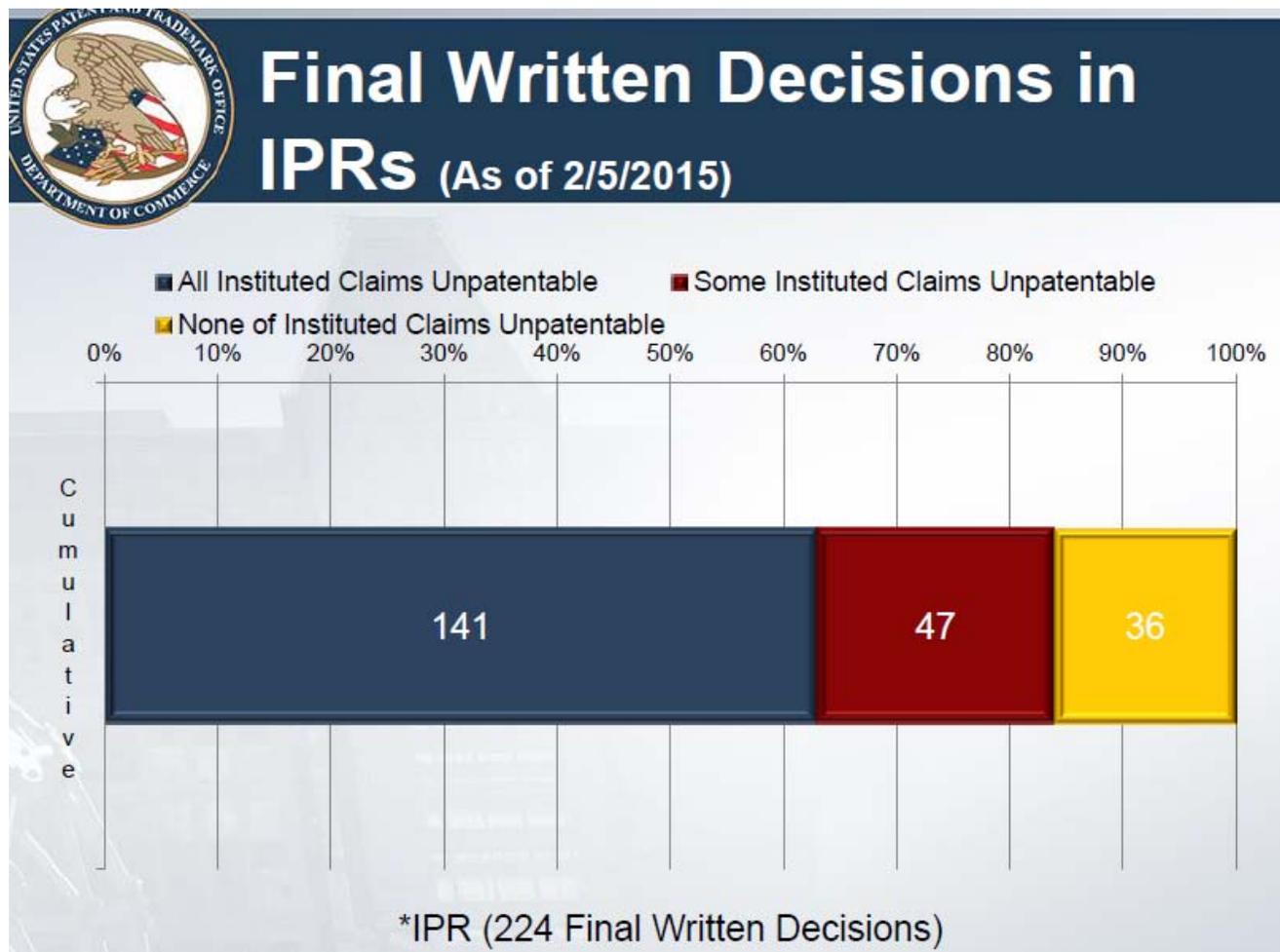
- 69% Grant Rate

Institution and Invalidation Rates



Timeline of Numbers and Perspectives

- February 2015 USPTO Slide:





Institution and Invalidation Rates

Timeline of Numbers and Perspectives

- **June 2015** – Senator Chris Coons, sponsor of STRONG Patents Act: “It seems hard to imagine that we would expect anyone but the wildest optimist to invest when **a patent only has a 16 percent chance of being held valid post-grant review proceedings** ... So my fear is that many investors, if this kill rate continues going forward, will lose trust in the strength of American patents.”



Institution and Invalidation Rates

Timeline of Numbers and Perspectives

- **August 2015** – USPTO Director’s Blog:
“Taken together, the demand for these new proceedings (as reflected by the large number of filings) and the results we are seeing at the CAFC appear to indicate that the **PTAB proceedings are succeeding in their Congressional mandate** to effectively and efficiently resolve patent validity disputes, while providing timely, low-cost alternatives to district court litigation.”



Institution and Invalidation Rates

Timeline of Numbers and Perspectives

- **August 2015** – USPTO presents claim-by-claim statistics.
USPTO Director's Blog:

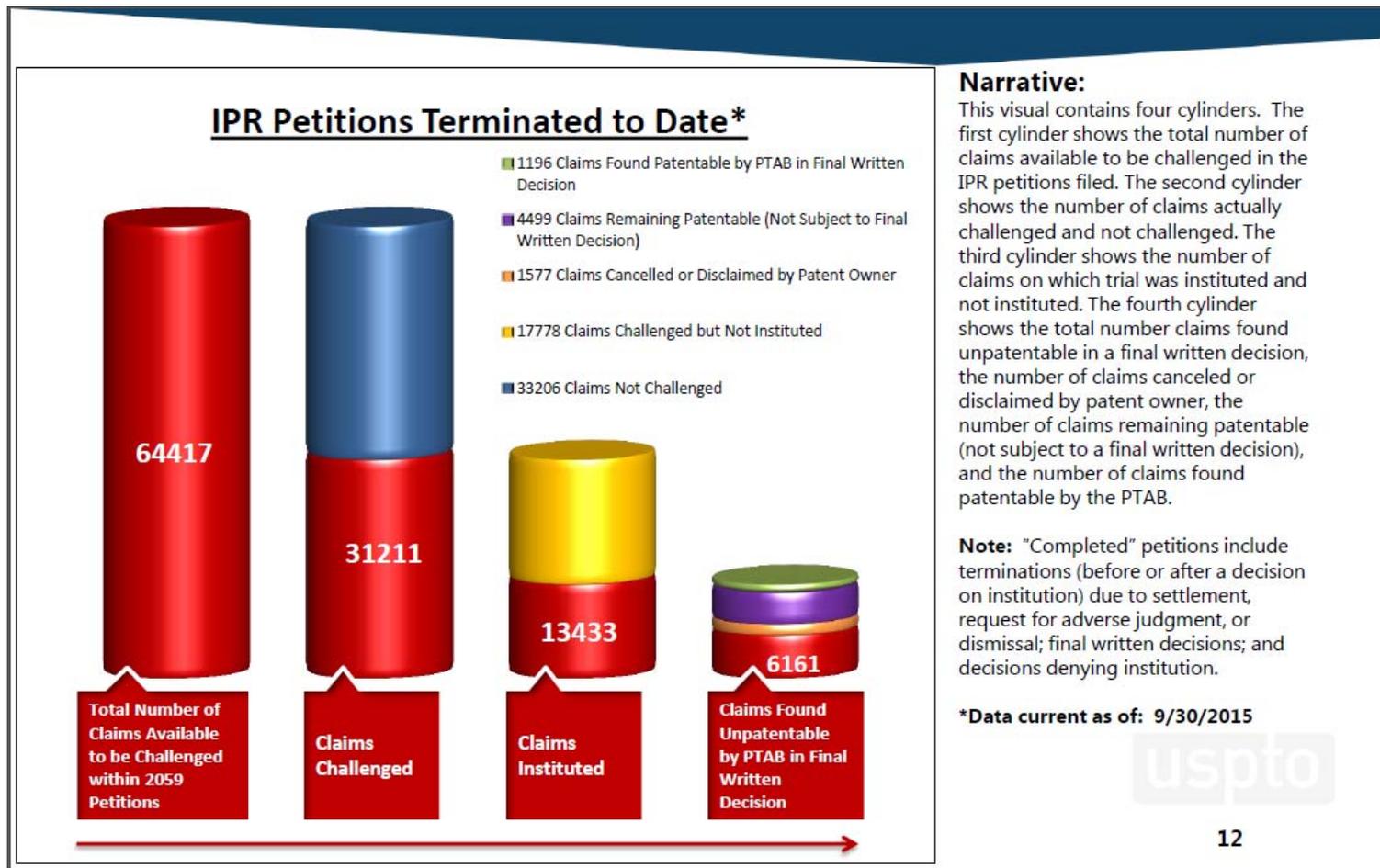
“Of the first IPRs to reach a conclusion, 12 percent of total claims available to be challenged (4,496 of 38,462), were determined by the PTAB to be unpatentable in a final written decision. Other claims were either not challenged, resolved by settlement, cancelled, or upheld as patentable. Of the first IPRs to reach a conclusion, 25 percent of claims actually challenged (4,496 of 17,675) were found to be unpatentable.”

Institution and Invalidation Rates



Timeline of Numbers and Perspectives

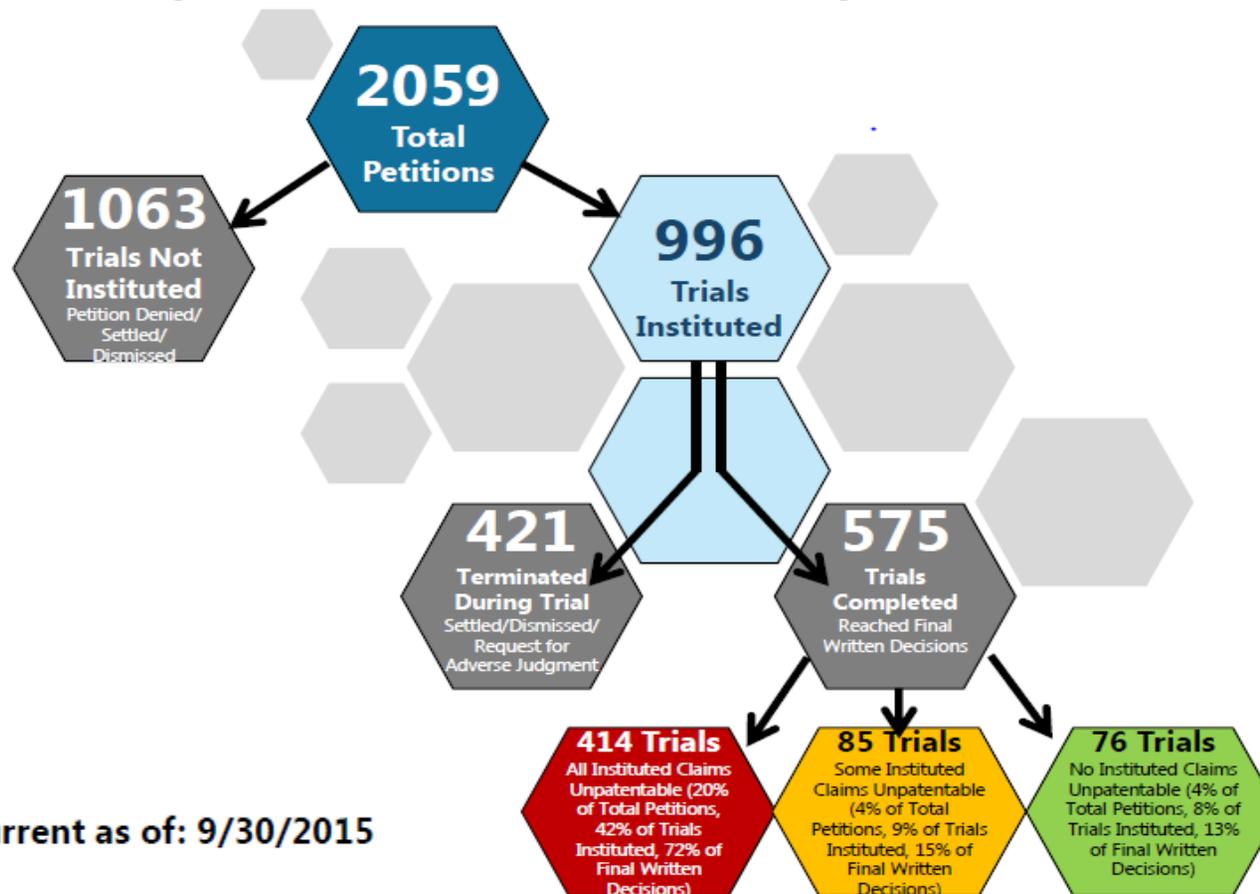
- September 2015 USPTO slide:



WH Institution and Invalidation Rates

- September 2015 USPTO slide:

Disposition of IPR Petitions Completed to Date*



*Data current as of: 9/30/2015



Institution and Invalidation Rates

414 Trials
All Instituted
Claims
Unpatentable

=

20% of Total Petitions,
42% of Trials Instituted,
72% of Final Written Decisions

85 Trials
Some Instituted
Claims
Unpatentable

=

4% of Total Petitions,
9% of Trials Instituted,
15% of Final Written Decisions

76 Trials
No Instituted
Claims
Unpatentable

=

4% of Total Petitions,
8% of Trials Instituted,
13% of Final Written Decisions

As of 9/30/2015



MOTIONS TO AMEND



Motions to Amend

- Motions to amend: five total have been granted
- **2013** – PTAB holds that “[t]he burden is not on the petitioner to show unpatentability, but on the patent owner to show patentable distinction over the prior art of record and also prior art known to the patent owner.” *Idle Free System, Inc. v. Bergstrom, Inc.*, IPR2012-00027 (PTAB June 11, 2013)
- **2015** – CAFC Judge Newman in dissent: “Amendment in post-grant validity proceedings is not of right, and thus far appears to be **almost entirely illusory**.” *In re Cuozzo Speed Technologies*, Fed. Cir. July 8, 2015



Motions to Amend

- **May 2015** – PTAB Chief Judge Smith at PPAC Meeting:

“The number of cases in which motions to amend have been [filed] are actually fewer than a hundred, some 80 in IPRs and something like 14 in CBM proceedings. And in fact, we're now up to four motions to amend with substitutionary amendments that have been granted.

So, the difficulty often spoken of in obtaining a grant of a motion to amend is perhaps not as dramatic as has been described, and I think it is very fair to say that if one looks at those decisions more carefully, one notices that patent owners who are able to provide amended language with support in the specification to provide a construction and make appropriate representations as to patentability actually have achieved regular success in the grant of motions to amend.”



Motions to Amend

- August 2015 – USPTO Federal Register Notice:

MasterImage 3D, Inc. v. RealD Inc. IPR2015-00040 (PTAB July 15, 2015) “clarifies that a patent owner must argue for the patentability of the proposed substitute claims over the prior art of record, including any art provided in light of a patent owner’s duty of candor, and any other prior art or arguments supplied by the petitioner, in conjunction with the requirement that the proposed substitute claims be narrower than the claims that are being replaced.”



Motions to Amend

- **August 2015** – PTAB Acting Chief Judge Nathan Kelley at PPAC meeting:

“about the difficulty that people have foreseen with getting motions to amend granted, what I have heard is not so much the story that it's very difficult to get them granted because in fact we haven't seen a huge number of them. It's that practitioners found it very difficult to say what they thought they had to say in that motion. ... And we wanted to be as clear as possible that what you have to talk about is the stuff in the record and the stuff that you actually know about that you should tell us under your duty of candor. But beyond that you don't have an affirmative duty to search the Prior Art and go find for us something that you're not aware of. ... So hopefully that gives people a little bit more of a sense of comfort when they make such a motion.”

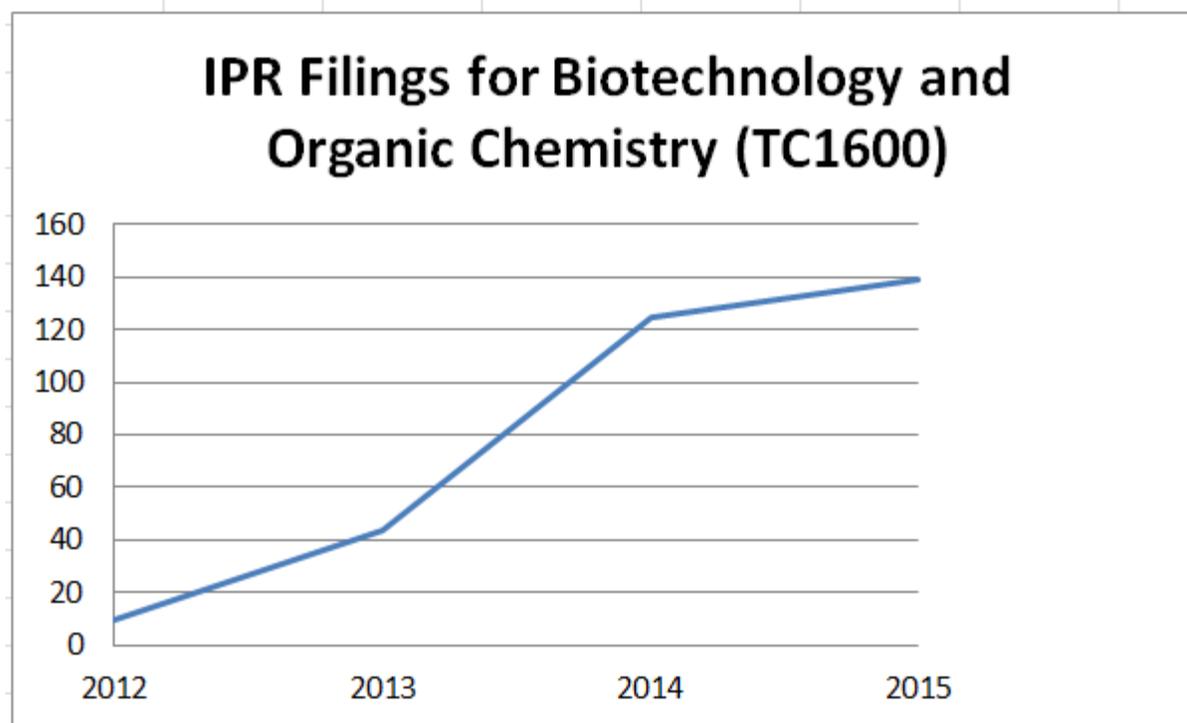


BIOPHARMACEUTICAL IPRS



IPR Filings Increasing for TC1600

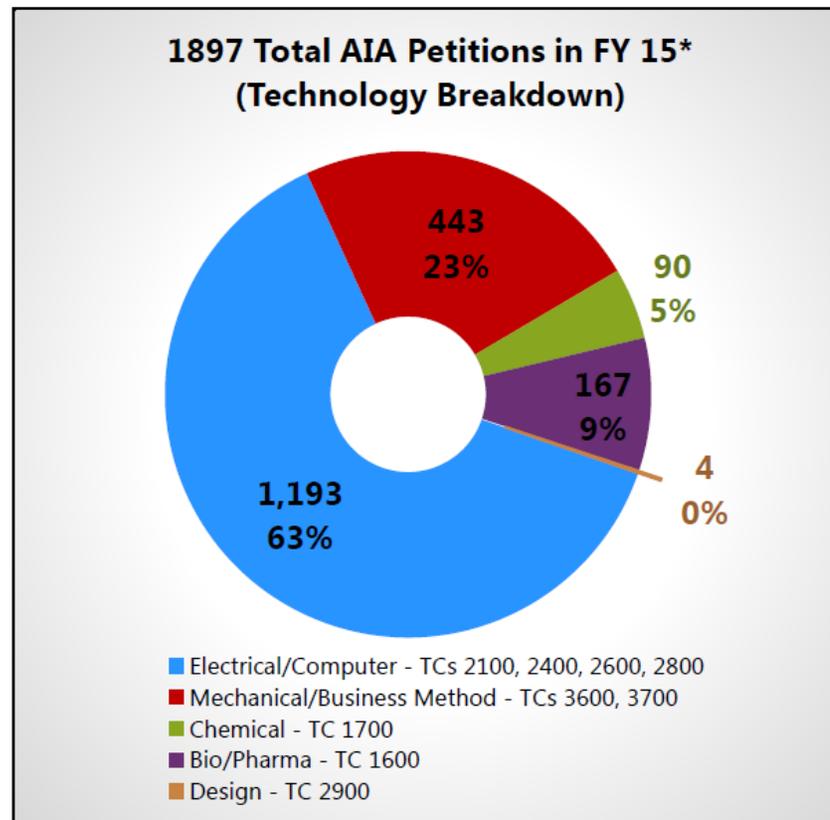
	2012	2013	2014	2015
IPR	10	44	125	139





IPR Filings Increasing for TC1600

- Now 9% of AIA petitions:



As of 9/30/2015

IPRs on Orange Book-Listed Patents

- 173 IPR petitions on Orange Book-Listed patents:

Awaiting institution decision	58
Terminated by agreement pre-institution	16
Not instituted	32
Instituted:	67
Settled	11
Proceeded to final written decision	20

As of 10/28/2015



Biopharmaceutical IPR Outcomes

- Of 26 final written decisions* in IPRs for patents directed to biopharmaceutical products:
 - 12 found all instituted claims unpatentable
 - 14 found all instituted claims not unpatentable

*Where more than one IPR were joined together, and there was one final written decision, the final written decision was counted once for each IPR

As of 10/30/2015



HEDGE FUND IPRS



Hedge Fund IPRs

- **Early 2015** – Kyle Bass/Coalition for Affordable Drugs begins filing IPRs against pharmaceutical patents in an “activist short strategy”
- 33 IPRs filed
 - 7 instituted
 - 6 denied institution

As of 10/29/2015



Hedge Fund IPRs

- **October 2015** – PTAB institutes hedge fund IPRs, and determines they are not an abuse of process:

“Profit is at the heart of nearly every patent and nearly every inter partes review. As such, an economic motive for challenging a patent claim does not itself raise abuse of process issues. We take no position on the merits of petitioner’s investment strategy.” *Mangrove Partners Master Fund v. Virnetx, Inc.*, IPR2015-01046, Institution Decision at 8; *see also Coalition for Affordable Drugs v. Celgene Corp.*, IPR2015-01092, IPR2015-01096, IPR2015-01102, IPR2015-01103, IPR2015-01169, Decision Denying Sanctions Motion at 3.



Hedge Fund IPRs

- 2015 – Congress considers action
 - H.R. 9 standing provision would prohibit institution of an IPR or PGR unless the petitioner certifies that the petitioner and real parties in interest of the petitioner:
 - (i) do not own and will not acquire a financial instrument that is designed to hedge or offset any decrease in market value of an equity security of the patent owner or an affiliate of patent owner; and
 - (ii) have not demanded payment from the patent owner or affiliate in exchange for a commitment not to file a petition, unless the petitioner or real party in interest has been sued for or charged with infringement.



DISTRICT COURT STAYS



Stays of District Court Litigation

- 436 orders on contested motions to stay pending IPR or CBM review
 - 58% granted/granted in part

- Numbers vary by jurisdiction
 - Northern District of California 74%
 - District of Delaware 58%
 - Southern District of New York 50%
 - Eastern District of Texas 34%

As of 9/30/2015



Stays of District Court Litigation

Key factor in determining the likelihood of a stay being granted:

- ***Pre-Institution:***
 - 299 orders on contested motions to stay pending IPR and CBM where review was not yet instituted by the PTAB
 - 52% granted/granted in part

- ***Post-Institution:***
 - 137 such orders
 - 71% granted/granted in part

As of 9/30/2015



FEDERAL CIRCUIT APPEALS



Federal Circuit Appeals

Federal Circuit is largely affirming PTAB

- 299 Appeals of IPR decisions

- 42 Opinions/Rule 36 Judgments (26 consolidated cases)
 - 11 Opinions (6 consolidated cases)
 - 31 Rule 36 Judgments (20 consolidated cases)
 - **40 Affirmed** (25 consolidated cases)
 - **2 Reversed/Vacated** (1 consolidated case):
Microsoft Corporation v. Proxyconn, Inc., 789 F.3d 1292 (Fed. Cir. June 16, 2015; rehearing denied Aug. 18, 2015) (Affirmed-in-part, Reversed-in-part, Vacated-in-part, and Remanded)

As of October 27, 2015



CBM TRENDS AND STRATEGIES



District Court Cases Post-Alice Addressing §101

- **165** post-Alice district court cases addressed §101 grounds
- In **99** proceedings, some or all claims were invalidated under §101, and in **66** decisions all the claims were upheld, or the motion was dismissed as premature

As of 9/30/2015

Key Jurisdictions Addressing §101 Post-Alice

Jurisdiction	Total # of §101 Decisions	Some or all Claims Invalidated	All Claims Survived
District of Delaware	31	24	7
E.D. of Texas	21	6	15
C.D. of California	18	10	8
N.D. of California	18	13	5
PTAB	81 (not instituted or Final Written Decision)	38	43 (in each, §101 not instituted)



Timeline for District Court Decisions under §101

- Average time from motion to decision on §101 challenges in top four litigation forums:

	All	Motion to Dismiss/Motion for Judgment on the Pleadings	Motion for Summary Judgment
D. Del.	685 days (31 decisions)	524 days (21 decisions)	958 days (9 decisions)
ED Tex.	467 days (21 decisions)	386 days (14 decisions)	635 days (6 decisions)
CD Cal.	654 days (18 decisions)	383 days (9 decisions)	925 days (9 decisions)
ND Cal.	724 days (18 decisions)	625 days (9 decisions)	896 days (9 decisions)

- Average time from filing a CBM petition at the USPTO to a final decision: **550 days**



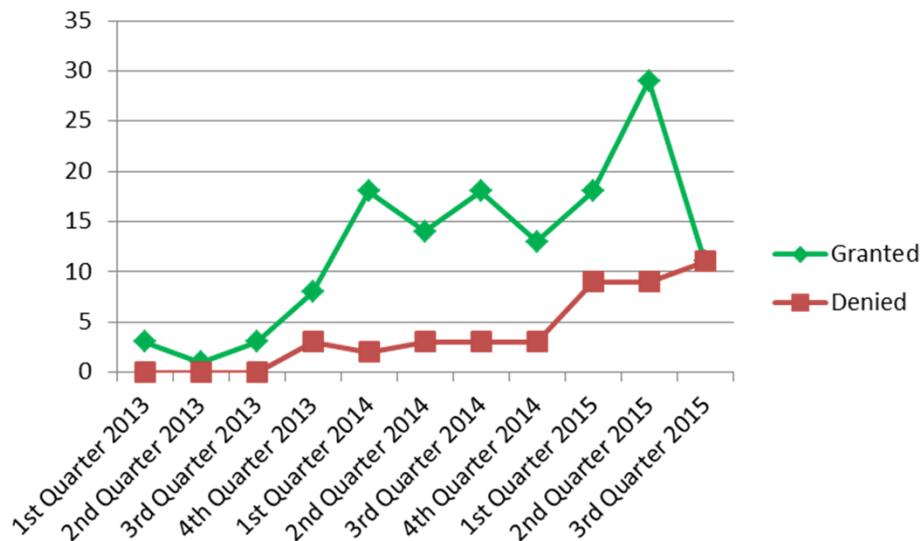
Comparison of the Institution Rate for the Different CBM Grounds

Ground	No. Instituted	Institution Grant Rate
§101	136	76%
Prior Art	121	58%
Indefiniteness	19	40%
Written Description	13	30%
Enablement	0	0%

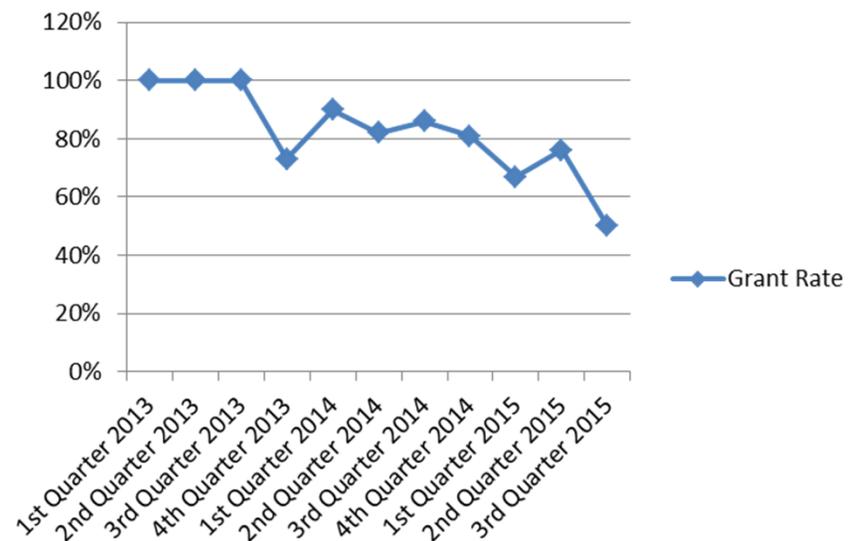


CBM Institution Rate Based on §101

CBM Institution Decisions that Addressed §101 Grounds



Grant Rate

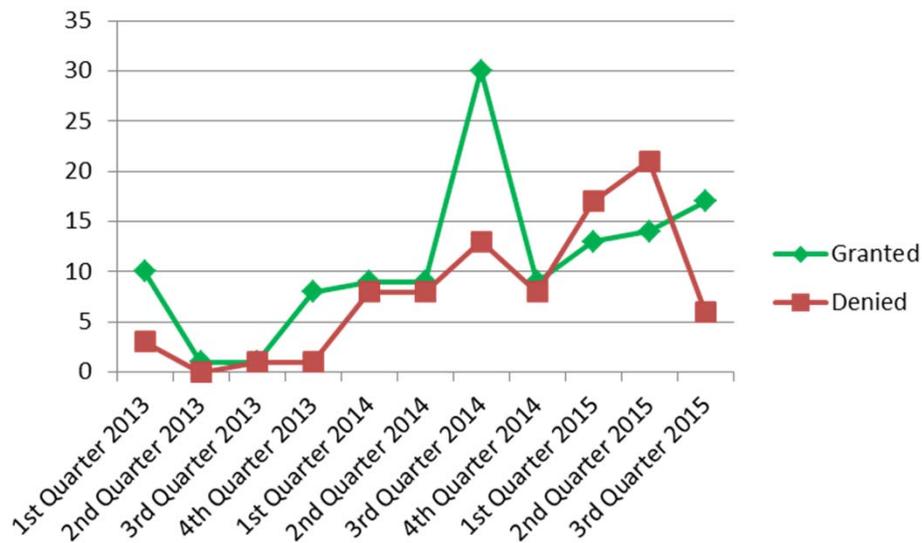


- A total of **136** CBM review proceedings were instituted (in whole or part) on §101 grounds and **43** were denied
- Overall: **76%** institution grant rate on §101 grounds

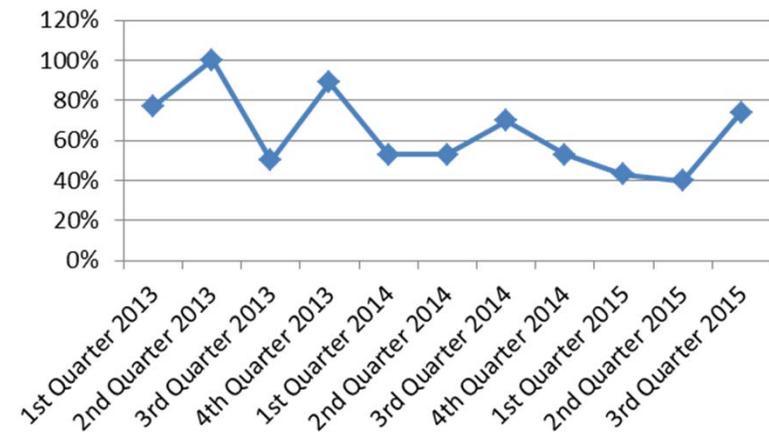


CBM Institution Rate Based on Prior Art

CBM Institution Decisions that Addressed Prior Art Grounds



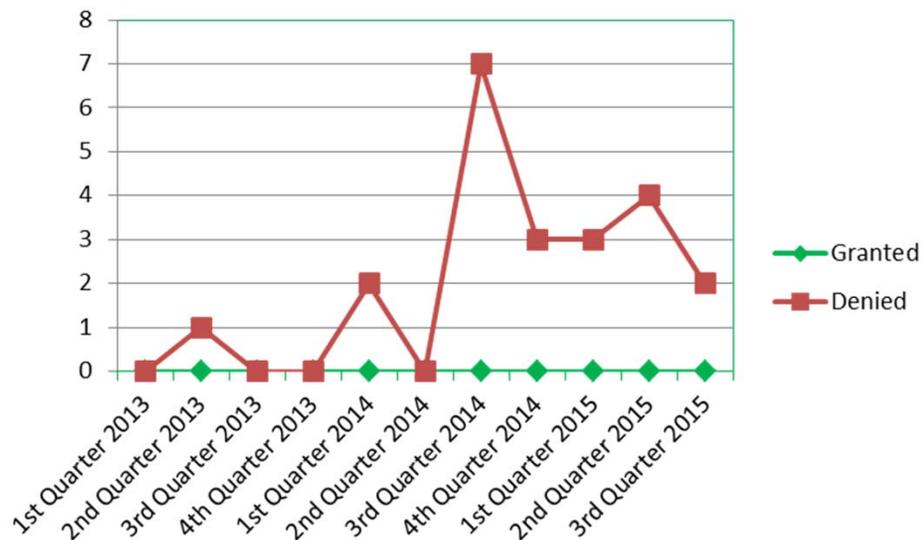
Grant Rate



- A total of **121** CBM review proceedings were instituted (in whole or part) on prior art grounds, **86** were denied
- Overall: **58%** institution grant rate on prior art grounds

CBM Institution Rate Based on Enablement

CBM Institution Decisions that Addressed Enablement Grounds

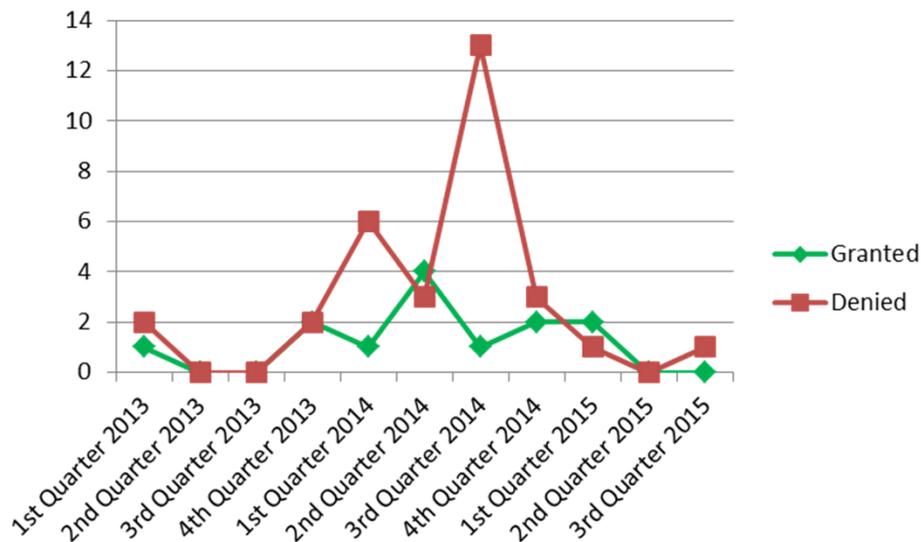


- There have been **22** CBM review proceedings that have addressed enablement grounds
- CBM review has never been instituted on enablement grounds

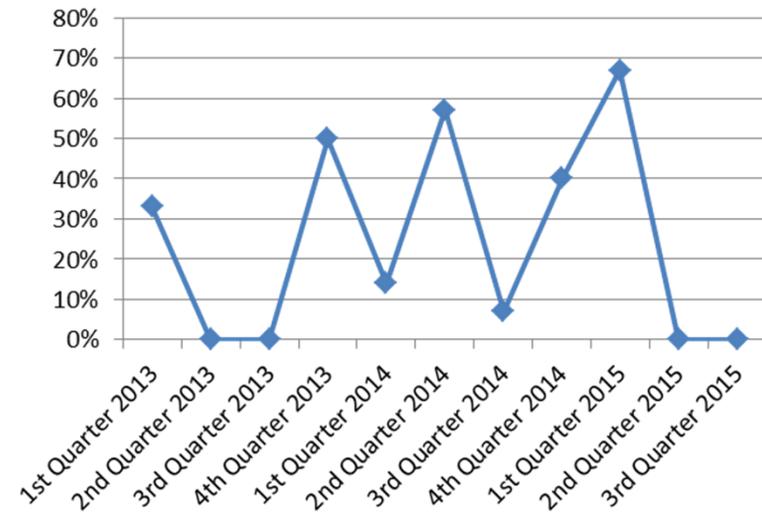


CBM Institution Rate Based on Written Description

CBM Institution Decisions that Addressed Written Description Grounds



Grant Rate

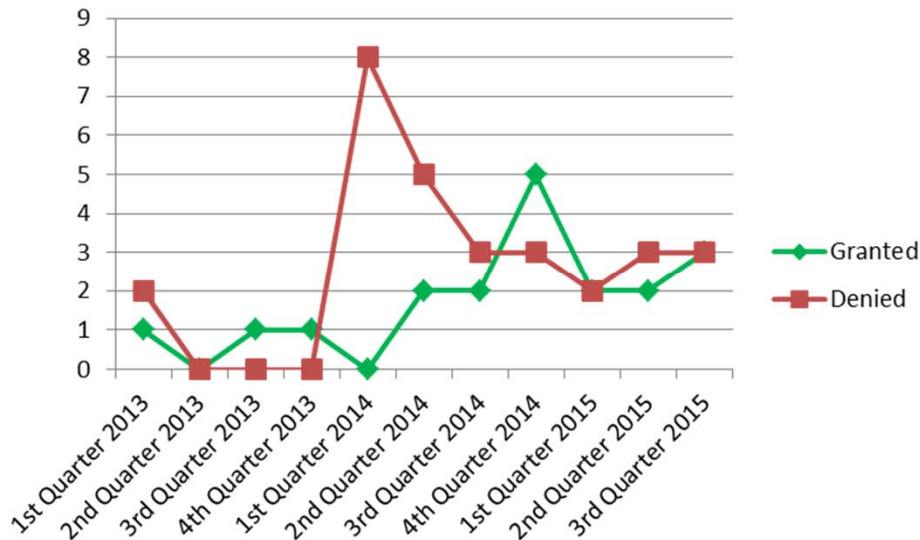


- A total of 13 CBM review proceedings were instituted on written description grounds, 31 were denied
- Overall: **30%** institution grant rate on written description grounds

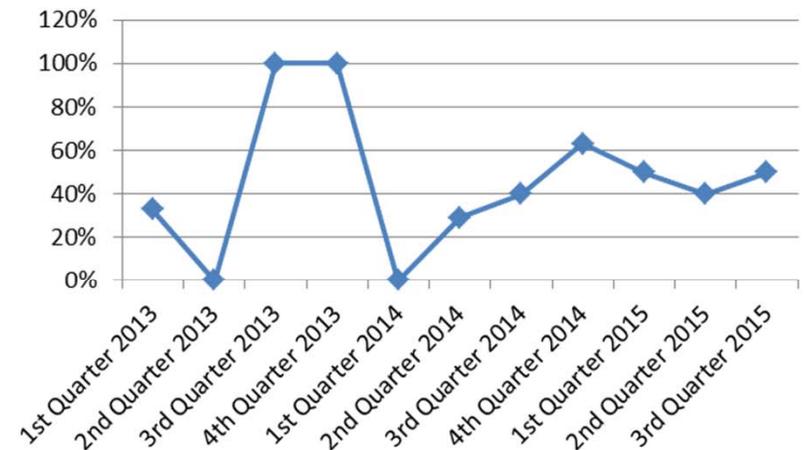


CBM Institution Rate Based on Indefiniteness

CBM Institution Decisions that Addressed Indefiniteness Grounds



Grant Rate



- A total of **19** CBM review proceedings were instituted on indefiniteness grounds, 29 were denied
- **40%** institution grant rate on indefiniteness grounds



Similar Claims, Different §101 Outcomes

U.S. Bancorp v. Solutran, Inc. (CBM2014-00076)

U.S. Patent No. 8,311,945, Claim 1:

A method for processing paper checks, comprising:

- a) electronically receiving a data file containing data captured at a merchant's point of purchase, said data including an amount of a transaction associated with MICR information for each paper check, and said data file not including images of said checks;
- b) after step a), crediting an account for the merchant;
- c) after step b), receiving said paper checks and scanning said checks with a digital image scanner thereby creating digital images of said checks and, for each said check, associating said digital image with said check's MICR information; and
- d) comparing by a computer said digital images, with said data in the data file to find matches.

**Not directed to
an abstract idea**

- The Board verified that this patent was ripe for CBM review and agreed that the patent is not directed to a “technological invention”
- Yet, the Board found that the claim is directed to processing paper checks rather than an abstract idea



Similar Claims, Different §101 Outcomes

Bank of America v. Intellectual Ventures II LLC (CBM2014-00033)
Petitioner represented by WilmerHale

Directed to an abstract
idea, and lacks
“inventive concept”

U.S. Patent No. 7,260,587, Claim 1:

- (a) “digitally scanning a plurality hard copy prints . . . into one or more categories;”
- (b) “each category separated by an associated machine readable instruction form;”
- (c) “storing said digital image files;” and
- (d) “producing a product.”

- The Board found that the claims of the ‘587 patent were unpatentable under §101
- The claims in both cases being directed to processing digital images: scanning checks (‘945 patent) and organizing digital images (‘587 patent), but the PTAB decisions yielded different outcomes



§101 CBM institution decisions: What are financial services?

- *Epicor Software Corp. v. Protegrity Corp.*, CBM2015-00002:
 - Patent **eligible** for CBM review even though claims directed to data processing and encryption without reciting any financial elements
 - The specification indicated one application of the software would be preventing unauthorized access to a database in the banking sector
- *Google, Inc. v. Simpleair, Inc.*, CBM2015-00019:
 - Patent **not eligible** for CBM review where claims directed to transmission of data via gateways
 - Though the specification indicated some applications of the software included transmitting stock quotes, lotto results, or financial news, there was no specific inclusion of those items in the claim language



CBM Estoppel under AIA § 18(a)(1)(D)

- (D) The petitioner in a transitional proceeding that **results in a final written decision** under [Section 328\(a\) of title 35](#), United States Code, with respect to a claim in a covered business method patent, or the petitioner's real party in interest, may not assert, either in a civil action arising in whole or in part under section 1338 of title 28, United States Code, or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337), **that the claim is invalid on any ground that the petitioner raised** during that transitional proceeding.
- “Any ground”– Does estoppel prevent a challenge in litigation using new prior art when the petitioner already challenged the patent in a CBM under 35 U.S.C. §102 or 103?
 - In *Virtualagility v. Salesforce.com*, the Federal Circuit suggested litigation estoppel does not apply to art that could have been, but was not raised, in CBM review, even when the CBM resulted in a final written decision on the presented art



Comparison to IPR Estoppel under 35 U.S.C. §315(e)

- **(1) Proceedings before the office.**— The petitioner in an inter partes review of a claim in a patent under this chapter that ***results in a final written decision*** under section [318\(a\)](#), or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim ***on any ground that the petitioner raised or reasonably could have raised during that inter partes review.***
- **(2) Civil actions and other proceedings.**— The petitioner in an inter partes review of a claim in a patent under this chapter that ***results in a final written decision*** under section [318 \(a\)](#), or the real party in interest or privy of the petitioner, may not assert either in a civil action arising in whole or in part under section [1338](#) of title [28](#) or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 that the claim is invalid ***on any ground that the petitioner raised or reasonably could have raised during that inter partes review.***
- No clear rule on when estoppel attaches in IPRs before the PTAB or district courts
 - In *Apotex v. Wyeth*, IPR2015-00873, the PTAB held that estoppel does not attach to grounds raised by a petitioner, but not instituted by the PTAB due to redundancy. The Federal Circuit recently suggested the same rule applies to district courts in *In re Cuozzo Speed Tech* (Fed. Cir. 2015)



Questions?



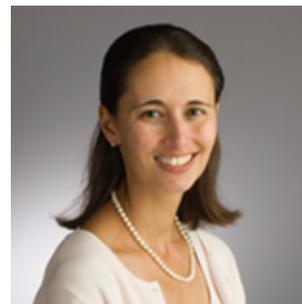
Peter Diciara
Partner
Intellectual Property



Donald Steinberg
Partner
Chair, Intellectual Property Department



Gregory Lantier
Partner
Intellectual Property Litigation



Emily Whelan
Partner
Intellectual Property

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