

Trends In Post-Grant Proceedings Before the PTAB

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PTAB AIA Trends and Statistics

- Institution and Invalidation Rates
 - Biopharmaceutical IPRs
 - Hedge Fund IPRs
 - Medical Device IPRs
 - Trends
- District Court Stays
- Motions to Amend
- Significant Cases

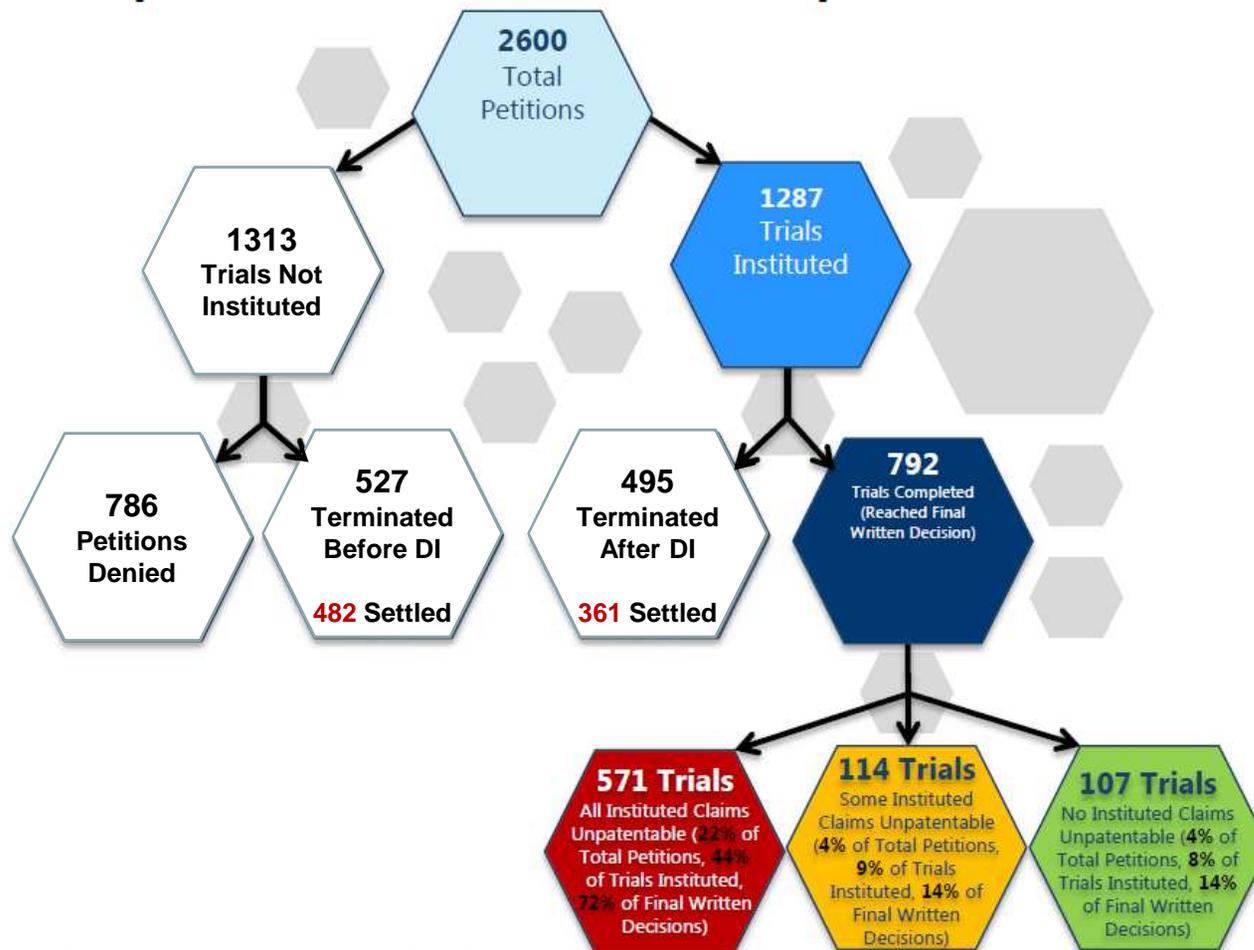


Institution and Invalidation Rates



IPR Institution and Invalidation Rates

Disposition of IPR Petitions Completed to Date*



*Data current as of: 1/31/2016

Source: USPTO



IPR Denial and Settlement Rates

786
Petitions
Denied

= 31% of Total Petitions
= 38% of Petitions With Decision on Institution
62% Institution Rate for Petitions With DI

482
Settled
Before DI

= 19% of Total Petitions

361
Settled
After DI

= 14% of Total Petitions
= 28% of Instituted Petitions

* As of 1/31/2016



Invalidation Rates of Completed IPRs

571 Trials
All Instituted
Claims
Unpatentable

= 22% of Total Petitions
44% of Trials Instituted
72% of Final Written Decisions

114 Trials
Some Instituted
Claims
Unpatentable

= 4% of Total Petitions
9% of Trials Instituted
14% of Final Written Decisions

107 Trials
No Instituted
Claims
Unpatentable

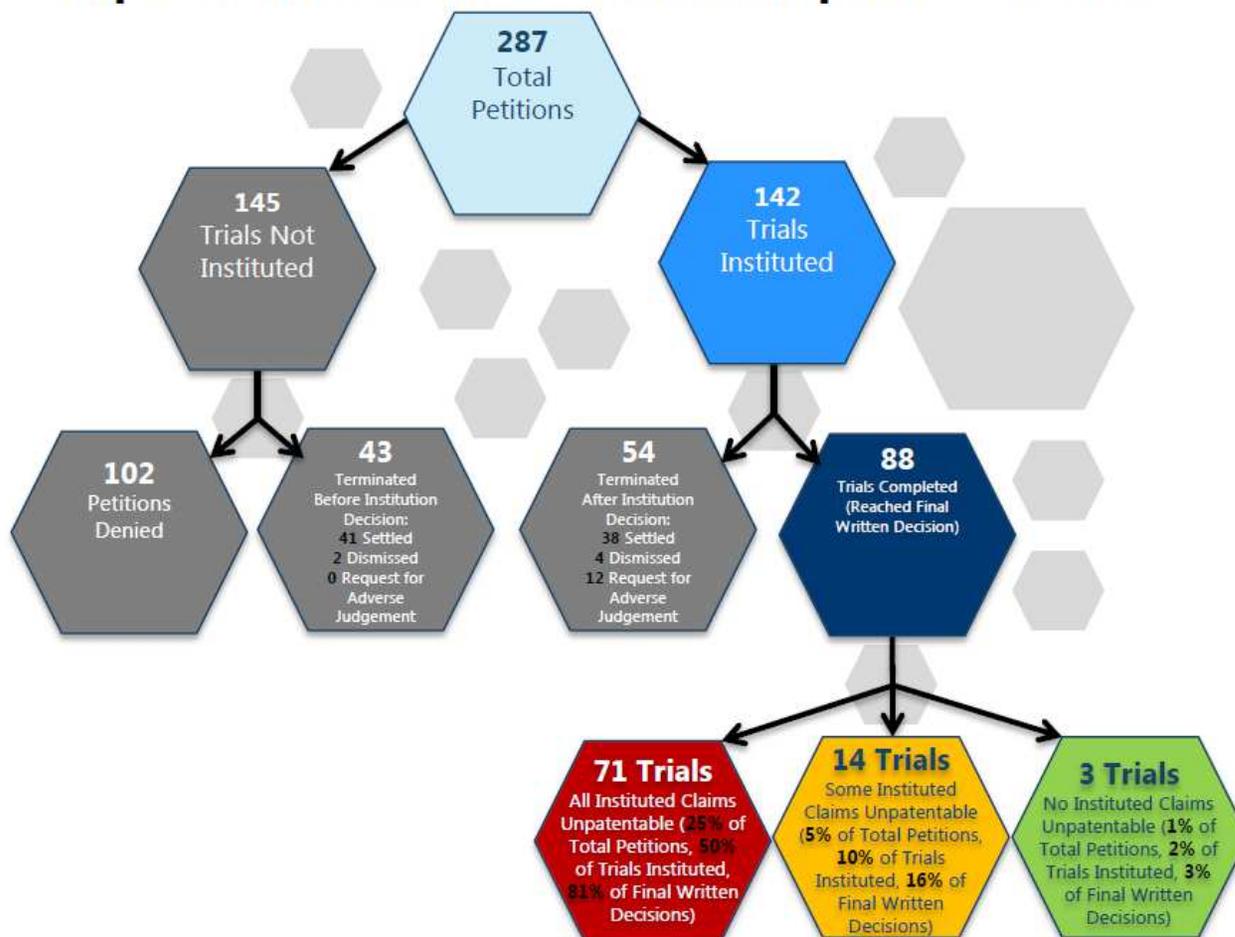
= 4% of Total Petitions
8% of Trials Instituted
14% of Final Written Decisions

* As of 1/31/2016



CBM Institution and Invalidation Rates

Disposition of CBM Petitions Completed to Date*



*Data current as of: 1/31/2016

Source: USPTO



CBM Denial and Settlement Rates

102
Petitions
Denied

= 36% of Total Petitions
= 42% of Petitions With Decision on Institution
58% Institution Rate for Petitions with DI

41
Settled
Before DI

= 14% of Total Petitions

38
Settled
After DI

= 13% of Total Petitions
= 27% of Instituted Petitions

* As of 1/31/2016



Institution Rates of Completed CBMs

71 Trials
All Instituted
Claims
Unpatentable

= 25% of Total Petitions
= 50% of Trials Instituted
81% of Final Written Decisions

14 Trials
Some Instituted
Claims
Unpatentable

= 5% of Total Petitions
= 10% of Trials Instituted
16% of Final Written Decisions

3 Trials
No Instituted
Claims
Unpatentable

= 1% of Total Petitions
= 2% of Trials Instituted
3% of Final Written Decisions

* As of 1/31/2016



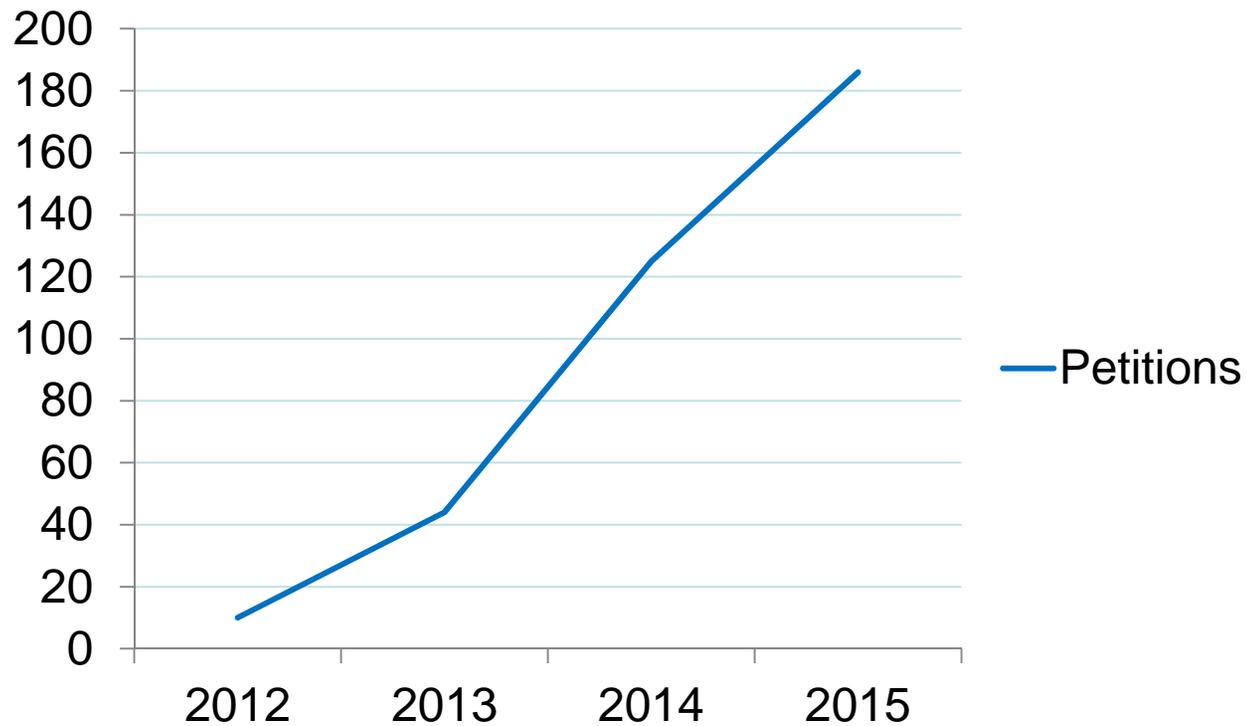
* **Biopharmaceutical IPRS**



IPR Filings Increasing for TC1600

	2012	2013	2014	2015
IPR	10	44	125	186

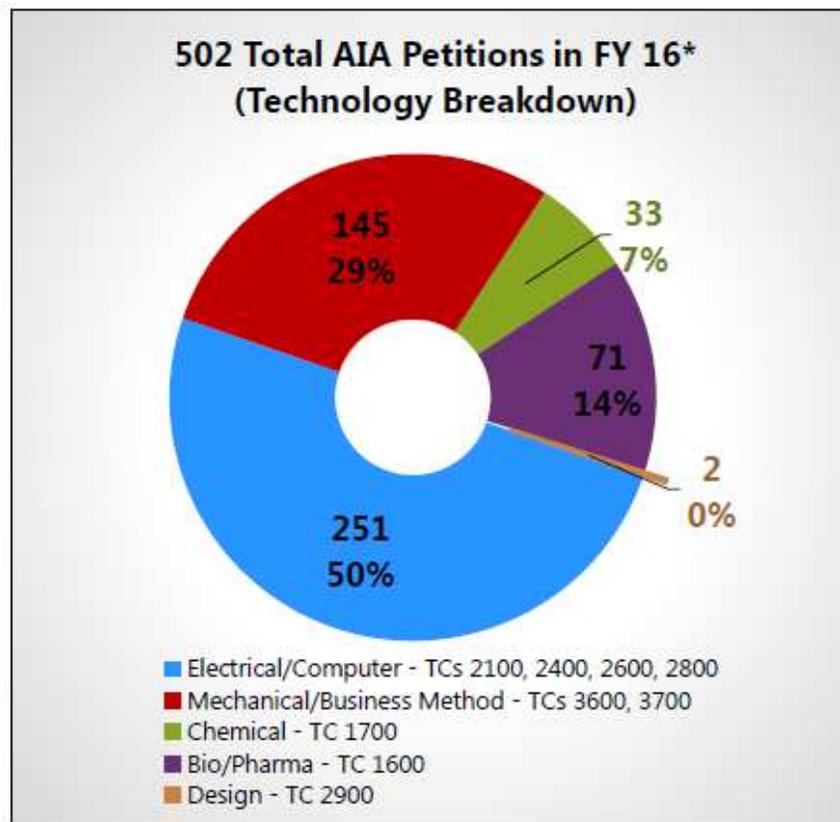
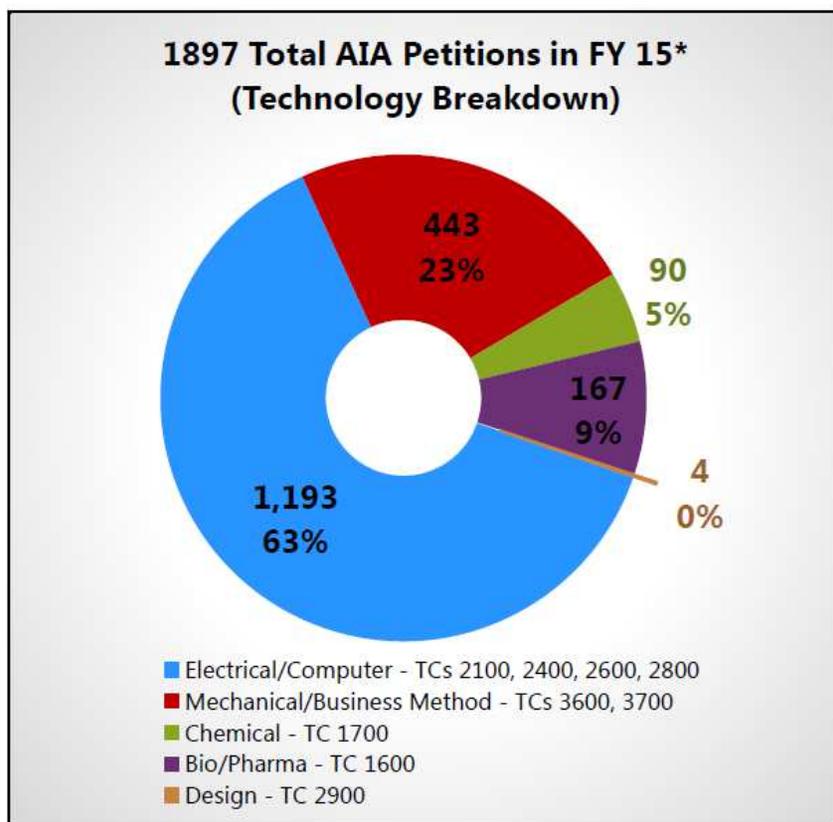
Petitions





IPR Filings Increasing for TC1600

- 9% of AIA petitions in FY15 (up from 6% in FY14), and 14% so far in FY16:

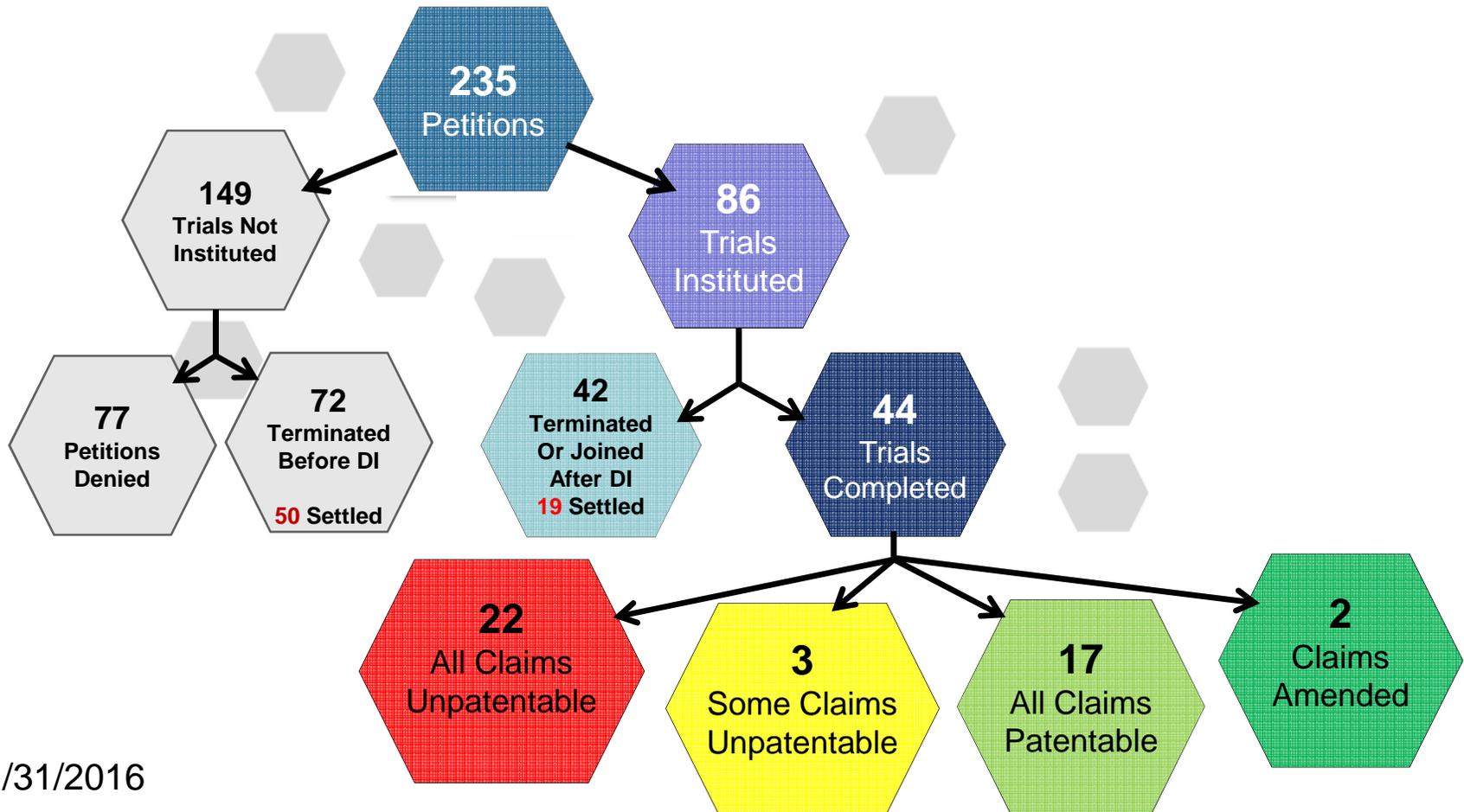


* As of 1/31/2016



IPR Outcomes for TC 1600

IPR Petitions for TC 1600 Completed Through January 31, 2016



* As of 1/31/2016



TC 1600 Denial and Settlement Rates

77
Petitions
Denied

= 33% of Total Petitions
= 47% of Petitions With Decision on Institution
53% Institution Rate for Petitions with DI

50
Settled
Before DI

= 21% of Total Petitions

19
Settled
After DI

= 8% of Total Petitions
= 22% of Instituted Petitions

* As of 1/31/2016



IPR Outcomes for TC 1600

22 Trials
All Instituted
Claims
Unpatentable

= 9% of Total Petitions
26% of Trials Instituted
50% of Final Written Decisions

3 Trials
Some Instituted
Claims
Unpatentable

= 1% of Total Petitions
3% of Trials Instituted
7% of Final Written Decisions

17 Trials
No Instituted
Claims
Unpatentable

= 7% of Total Petitions
20% of Trials Instituted
39% of Final Written Decisions

2 Trials
Claims
Amended

= 1% of Total Petitions
2% of Trials Instituted
4% of Final Written Decisions

* As of 1/31/2016



Petitions on Orange Book-Listed Patents

- 230 petitions (IPR, CMB, PGR) on Orange Book-Listed patents:

Awaiting institution decision	61
Terminated by agreement pre-institution	22
Not instituted	54
Instituted:	93
Settled	11
Requested an Adverse Judgment	2
Proceeded to final written decision	20
All Instituted Claims Found Unpatentable	8
Some Instituted Claims Found Unpatentable	0
All Instituted Claims Found Not Unpatentable	12

* As of 2/25/2016



* 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”
- 35 IPRs filed, with 22 decisions on institution
 - 11 instituted
 - 11 denied institution

* As of 2/25/16



Hedge Fund IPRs

- **September 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.” *Coalition for Affordable Drugs v. Celgene Corp.*, IPR2015-01092 and others, Decision Denying Motion for Sanctions at 3.

- **October 2015** – PTAB rejected argument that it should deny institution because the petition was an attempt to manipulate financial markets. *Mangrove Partners Master Fund v. Virnetx, Inc.*, IPR2015-01046, Institution Decision at 8 (same)



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.



* Medical Devices



Medical Device IPRs

- 97 IPRs filed by Medtronic (37), Johnson & Johnson (15), Boston Scientific (9), Stryker (14), Becton Dickinson (1), Smith & Nephew (21)

Awaiting institution decision	22	
Settled pre-institution	14	
Procedurally dismissed / Patent owner disclaimed	6	
Denied	20	36% of IPRs with DI
Instituted	35	64% of IPRs with DI
Open	7	
Settled	1	
Procedurally dismissed / Patent owner disclaimed	6	
Joined to other trial	1	
All Instituted Claims Upheld	1	5% of IPRs with FWD
Some Instituted Claims Unpatentable	2	10% of IPRs with FWD
All Instituted Claims Unpatentable	17	85% of IPRs with FWD



Medical Device IPRs

- 10 IPRs filed against Medtronic (4), Stryker (4), Becton Dickinson (2)

Awaiting institution decision	4	
Settled pre-institution	3	
Denied	1	33% of IPRs with DI
Instituted	2	67% of IPRs with DI
Open	1	
Settled	1	



Medical Device IPRs

- Number of IPRs filed by these companies doubled last year

2012	2
2013	26
2014	20
2015	40

- Win rates for patent owner (settlement, dismissed, institution denied, all claims upheld) vs. petitioner**

All IPRs		Bio/Pharm		Medical Device Co.* As Petitioner		Medical Device Co.* As Patent Owner	
Petitioner	Patent Owner	Petitioner	Patent Owner	Petitioner	Patent Owner	Petitioner	Patent Owner
685/2600	1915/2600	25/235	210/235	20/68	48/68	0/5	5/5
26%	74%	11%	89%	29%	71%	0%	100%

* Medtronic, J&J, Boston Scientific, Stryker, Becton, Smith & Nephew

** Includes only terminated IPRs



* Trends



PTAB: A “Death Squad”?

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

- **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.”



PTAB: A “Death Squad”?

- **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.”



PTAB: A “Death Squad”?

- 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.”



PTAB: Or ...Not?

- August 2015 – USPTO presents claim-by-claim statistics.

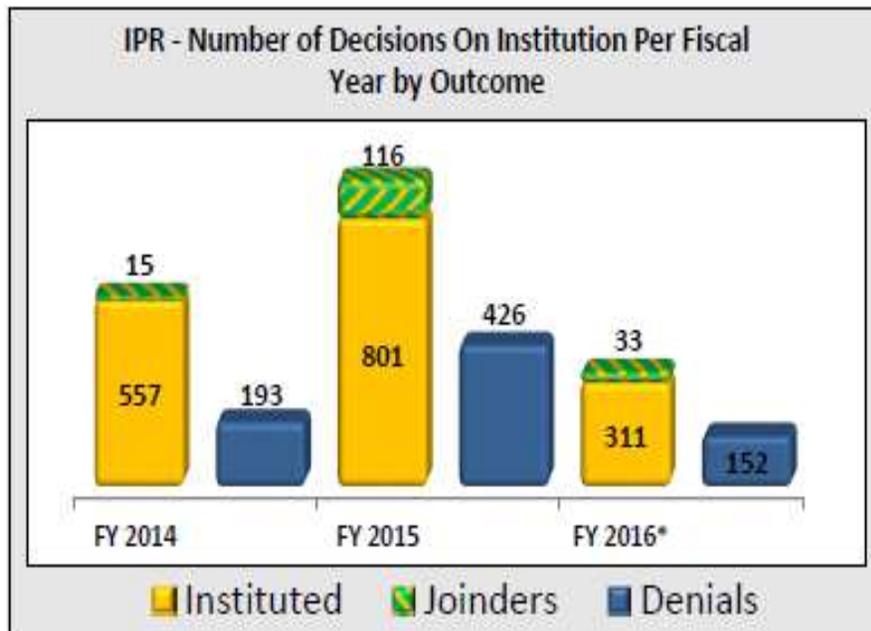
USPTO Director's Blog:

“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.”

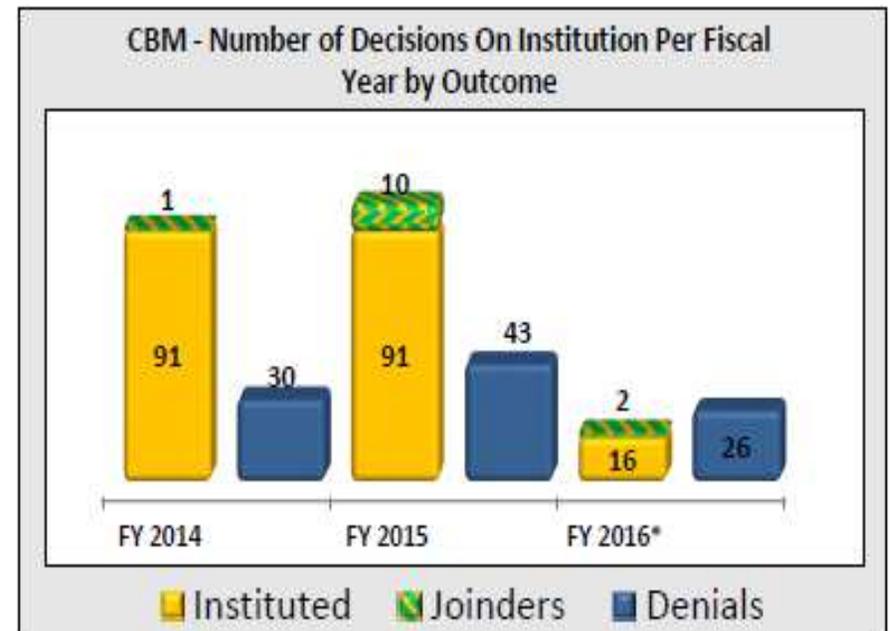


Institution Rates: Trends

- September 2012 – AIA petitions first available
- FY 2013 Institution rate was 87% for IPRs
- Institution rates have since fallen for both IPR and CBMs



87% (FY13) → 63% (FY16)



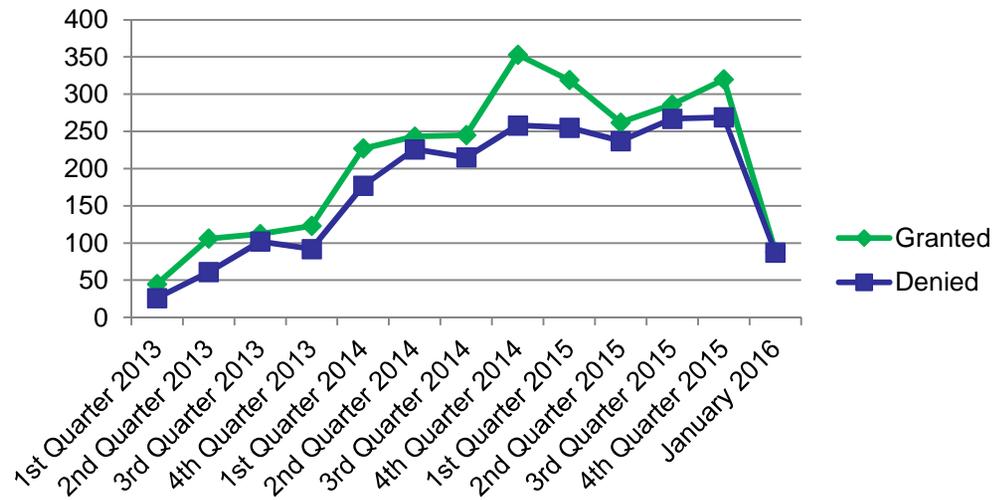
75% (FY14) → 63% (FY15)

Source: USPTO

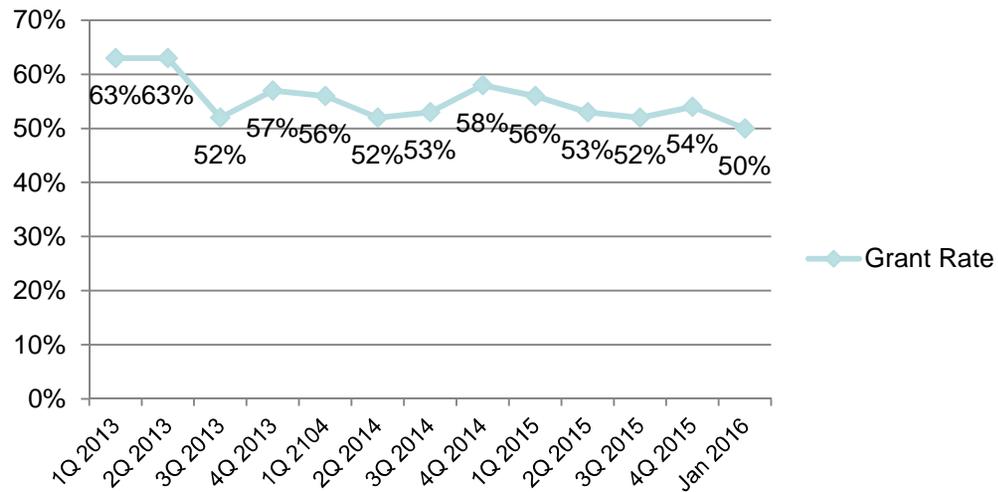


IPR Institution Rate by Ground

Number of Grounds Instituted



Institution Rate By Ground

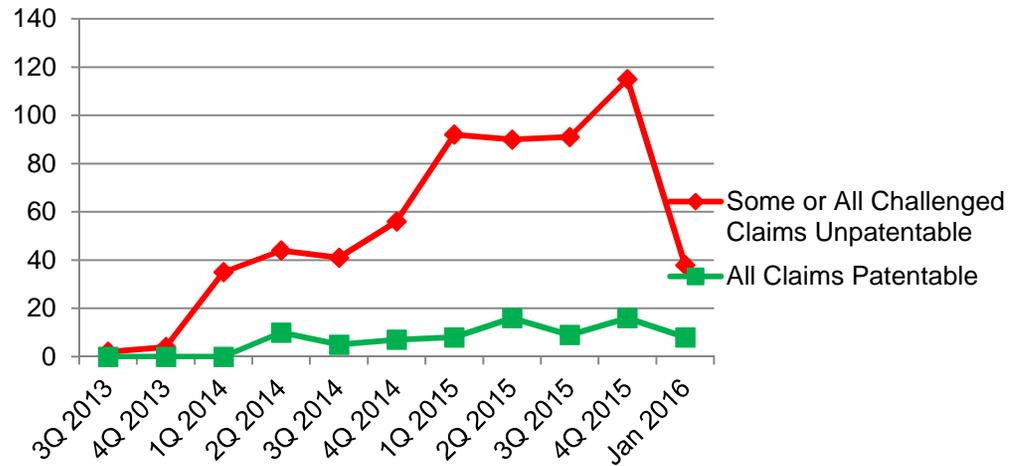


* As of 1/31/2016

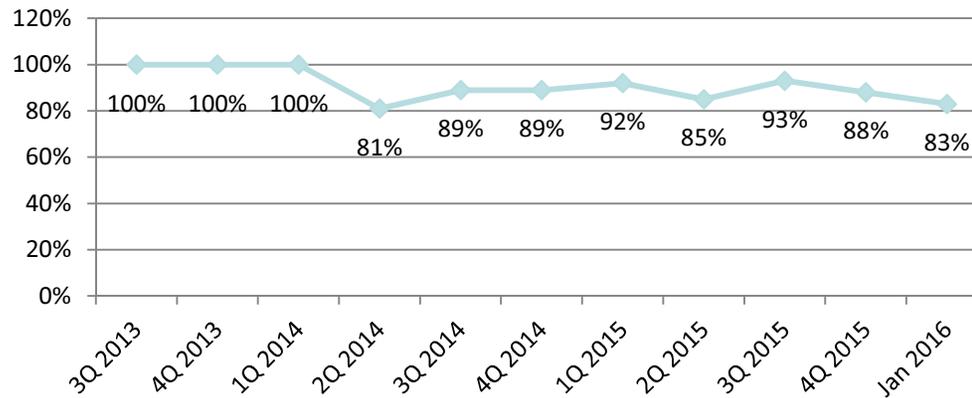


IPR Final Written Decision Results

Final Written Decision Results By Patent



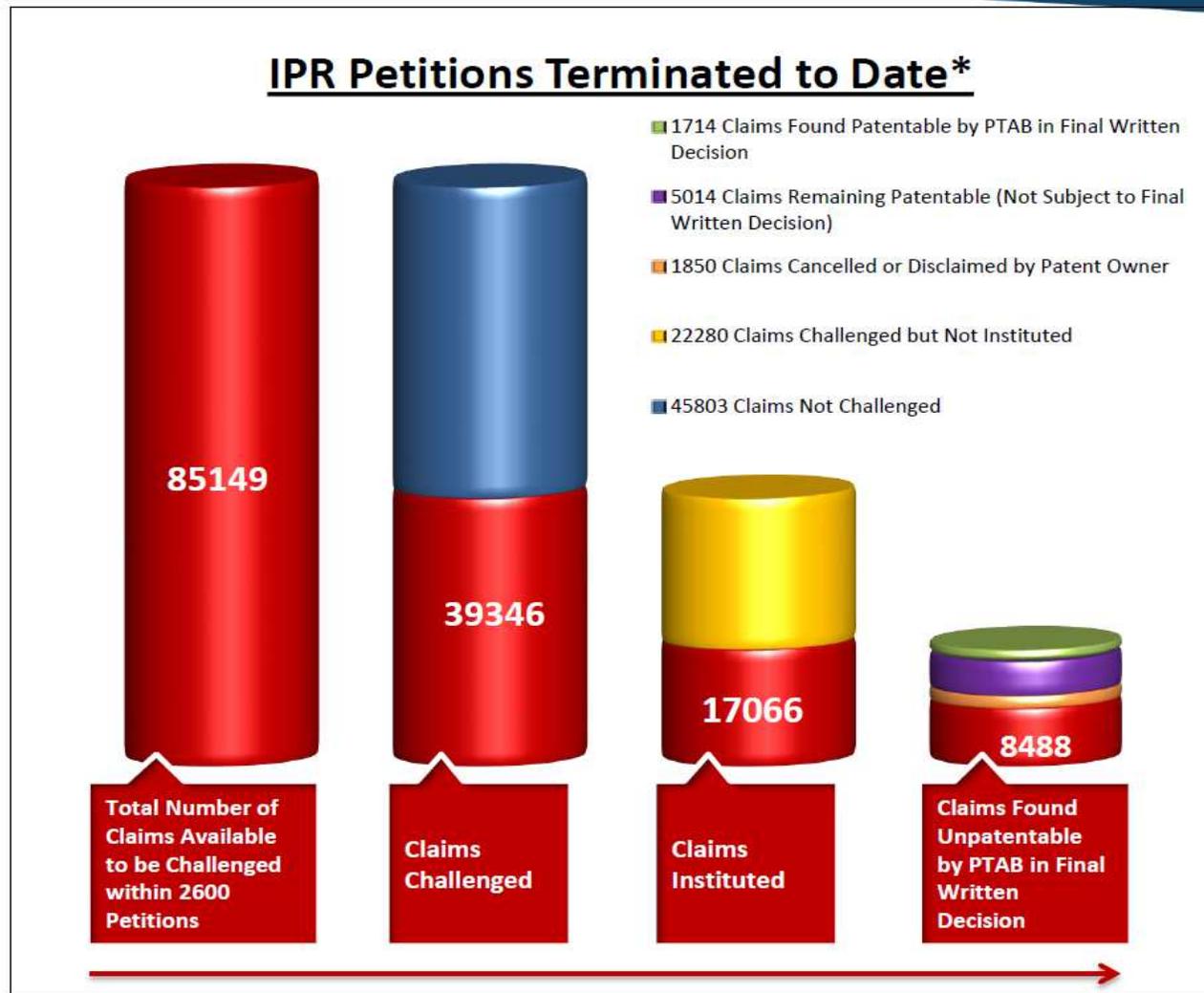
Percentage of Patents with All or Some Unpatentable Claims



* As of 1/31/2016



Institution and Invalidation Rates by Claim



* As of 1/31/2016



District Court Stays



Stays of District Court Litigation

- 498 orders on contested motions to stay pending IPR or CBM review
 - 58% granted / granted in part
 - Numbers vary by jurisdiction
 - Northern District of California 75% (52/69)
 - Central District of California 58% (19/33)
 - Southern District of California 61% (11/18)
 - District of Delaware 54% (34/63)
 - Southern District of New York 60% (3/5)
 - Eastern District of Texas 40% (23/58)
 - District of New Jersey 50% (4/8)
- * As of 2/29/2016



Stays of District Court Litigation

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

- ***Pre-Institution:***
 - 327 orders on contested motions to stay pending IPR and CBM where review was not yet instituted by the PTAB
 - 51% granted/granted in part

- ***Post-Institution:***
 - 171 such orders
 - 70% granted/granted in part

* As of 2/24/2016



Motions to Amend



Motions to Amend

- Of 133 motions, only one granted as to all new claims and three granted in part. The CAFC has affirmed in all cases but one.
- **2013** – *Idle Free System, Inc. v. Bergstrom, Inc.*, IPR2012-00027 (PTAB June 11, 2013): Patent owner bears the burden to show “patentable distinction over the prior art of record and also prior art known to the patent owner.”



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.

...

[P]atent 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

In re Cuozzo Speed Technologies, 793 F.3d 1268 (Fed. Cir. July 8, 2015)

- **February 2015** – CAFC affirmed the denial of a motion to amend in *Cuozzo* because the amendment would have broadened the scope of the claims
 - The new claim was broader solely because the PTAB construed a term broadly under the BRI standard
- **July 2015** – CAFC substantially revised the opinion
 - Judge Newman in lengthy dissent: “Amendment in post-grant validity proceedings is not of right, and thus far appears to be *almost entirely illusory*.” (emphasis added)



Motions to Amend

- July 15, 2015 – The PTAB explained:
 - “Prior art of record” means any “material” art in:
 1. In the prosecution history of the patent;
 2. In the current PTAB proceeding, including art asserted in grounds that were not instituted; and
 3. In any other proceeding before the PTO involving the patent
 - “Prior art known to the patent owner” means
“no more than the material prior art that Patent Owner makes of record in the current proceeding pursuant to its duty of candor and good faith”

MasterImage 3D, Inc. v. RealD Inc. IPR2015-00040,
Order: Conduct of Proceedings (PTAB July 15, 2015)



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:

“[W]hat 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.”



Motions to Amend

- 2016 – *Synopsys Inc. v. Mentor Graphics Corp.* (Fed. Cir. Feb. 10, 2016)
 - PTAB denied the motion on two grounds: (1) the disclosure of in a specific reference; and (2) the patent owner failed to “demonstrate **general patentability over prior art.**” (emphasis added)
 - CAFC affirmed the finding that the patent owner had failed to demonstrate patentability of the new claims over Gregory, the only prior art reference for the inter partes review
 - CAFC did not reach the “general patentability” finding



Motions to Amend

- Judge Newman in dissent:

“[T]he statutory provision for amending claims for post-grant review has been misapplied. Although the AIA authorizes claim amendment, PTO statistics demonstrate the PTAB’s practice of denying almost all motions to amend, as referenced in *Cuozzo* Updated statistics show little change”

(citing *Claim and Case Disposition*, AIA BLOG, <http://www.aiablog.com/claim-and-case-disposition>, which reported that as of January 1, 446 (94.49%) substitute claims were denied and 26 (5.51%) were granted)



Motions to Amend

- Examining the legislative history, Judge Newman argued:

The court must “assure fulfillment of the policy embodied in the statute, with appreciation of the statutory balance and the interrelation of provisions. The availability of amendment in IPR proceedings, as compared with district courts, balances the lighter standard of invalidation for IPR proceedings. . . .”

“Congress lowered the evidentiary standard of invalidity applied by the courts to granted patents, and authorized limited amendment, thereby allowing correction of flaws in the prior grant. This statute requires implementation in accordance with the legislative purpose.”



Motions to Amend

- 2016 – *Nike, Inc. v. Adidas AG* (Fed. Cir. Feb. 11, 2016)
 - Nike moved to amend, citing secondary considerations in its patentability argument, but the PTAB denied the motion
 - The CAFC reversed because “the Board’s final written decision lacks a discussion, or even an acknowledgement, of secondary considerations.”
 - “Evidence of secondary considerations plays a critical role in the obviousness analysis because it . . . may often be the most probative and cogent evidence in the record. . . . [T]he Board is bound to fully consider properly presented evidence on the long-felt need for a claimed invention.”



Motions to Amend

- *Nike* (cont'd)
 - Nike also supported its motion with a simple statement that the claims were patentable over the prior art known to it but not of record
 - The PTAB found this insufficient because Nike did not address any specific references
 - The PTO conceded on appeal that this was too aggressive
 - CAFC held that this was an improper ground to deny the motion to amend because the statement satisfied the duty of candor



Significant Cases



Federal Circuit Appeals

Federal Circuit is largely affirming PTAB

- 541 Appeals of IPR and CBM decisions
- 65 Opinions/Rule 36 Judgments
 - 27 Opinions and 38 Rule 36 Judgments
 - **54 Affirmed and 4 affirmed in part**
 - **3 Appeals of institution decisions rejected as unappealable**
 - **8 Reversed / vacated at least in part:**
 - 3 because claim construction not reasonable
 - 1 for failure to consider evidence of secondary considerations
 - 3 for failure to adequately state reasons for finding, failure to address a limitation, or failure to fully consider prior art evidence
 - 1 because decision was based on legal error

* As of February 22, 2016



Claim Construction

- Claims are construed in IPRs using the “broadest reasonable interpretation,” rather than “plain and ordinary meaning” under *Phillips*. 37 C.F.R. 42.100(b)
 - In its first opinion addressing an AIA appeal, the Federal Circuit affirmed the use of the BRI standard:
 - “There is no indication that the AIA was designed to change the claim construction standard that the PTO has applied for more than 100 years [in other PTO proceedings].”
 - The BRI regulation was also a valid exercise of the ruling-making authority conveyed on the PTO by Congress
- In re Cuozzo Speed Technologies*, 793 F.3d 1268 (Fed. Cir. 2015)



Claim Construction

- In dissent, Judge Newman compared the use of the BRI standard during examinations of patent applications vs. IPRs:
 - The BRI standard is used to examine patent applications as “the applicant and the examiner interact to define the invention so as to distinguish or avoid overlap with prior art. It is not a claim construction on which substantive legal rights of validity are based or intended to be based.”
 - By contrast, “[a]mendment in post-grant validity proceedings is not of right, and thus far appears to be almost entirely illusory.”
 - BRI “now appears to be used by the PTAB to broaden issued claims inappropriately, for claims can be broadened until they read on prior art”



Claim Construction

- Rehearing *en banc* was denied, with Chief Judge Prost and Judges Newman, Moore, O’Malley and Reyna dissenting
- The CAFC, in a recent opinion by Judge Moore:
 - Explained that district courts “seek out the **correct** construction—the construction that most accurately delineates the scope of the claimed invention—under the framework laid out in *Phillips*”
 - Noted that “[t]his case hinges on the claim construction standard applied,” and identified the “correct” construction under *Phillips*
 - But then affirmed the broader construction applied by the Board because the panel was bound by precedent

PPC Broadband, Inc., IPR2013-00340, IPR00345-47 (Feb. 22, 2016)



Claim Construction

- The CAFC has occasionally found a construction unreasonable:
 - *PPC Broadband, Inc.*, IPR2013-00342 (Fed. Cir. Feb. 22, 2016) (Moore): noting that Board seems to have construed the claims “by referencing the dictionaries cited by the parties and simply selecting the broadest definition therein,” without regard to the specification
 - *Straight Path IP Group v. Sipnet*, 806 F.3d 1356 (Fed. Cir. 2015): Absent disclaimer or redefinition of the term in the specification, the specification cannot override a clear plain meaning
 - *Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292 (Fed. Cir. 2015): PTAB’s construction unreasonable in light of the specification



Claim Construction

- In January, the Supreme Court granted cert in *Cuozzo*, and will decide whether the broadest reasonable interpretation standard
 - If the Court reverses, the universe of prior art available for an IPR petition may shrink
 - There may also be a reduction in the number of petitions filed and instituted
 - The PTAB may also be more likely to adopt a district court's claim constructions where they exist



Appeal of Institution Decisions

- In *Cuozzo*, the CAFC also held that institution decisions were not appealable:
 - Cuozzo argued that the PTAB had instituted the IPR based on prior art grounds not identified in the petition, contrary to 35 U.S.C. 314(a)
 - CAFC held that section 314(d) prohibits all appeals of the institution decision, including after the final written decision
- Judge Newman also dissented on this issue:
 - “[R]eview is not barred of material aspects that were decided in connection with the petition to institute,” such as “whether the statute was applied in accordance with its legislated scope”



Appeal of Institution Decisions

- The Supreme Court will also consider this question in *Cuozzo*
- If the Court finds that decisions to institute are reviewable, parties may be able to appeal:
 - The decision to institute
 - The final written decision
 - The denial of institution, including on issues such as technical defects in the petition (per the PTO's argument)
 - A decision by the PTO not to institute a petition that meets all requirements for institution for reasons such as to manage backlog



Other Significant Cases

- Secondary considerations: PTAB must evaluate properly presented evidence of secondary considerations. *Nike, Inc. v. Adidas AG* (Fed. Cir. Feb. 11, 2016)
- Commercial success: When the patentee presents undisputed evidence that its product embodies the claims, the PTAB may not find to the contrary without further explanation. *PPC Broadband, Inc.*, IPR2013-00340, IPR00345-47 (Fed. Cir. Feb. 22, 2016)
- Final written decision: The Board's final written decision need not address every claim presented in the petition. *Synopsys, Inc. v. Mentor Graphics Corp.*, IPR2012-00042 (Fed. Cir. Feb. 10, 2016)



Other Significant Cases

- One-year filing period: The one-year period for filing a petition starts on the date of service on a party of the *first* complaint relating to the asserted patent when some of the claims of the first complaint were dismissed with prejudice. *LG Electronics, Inc. v. Mondis Tech Ltd.*, IPR2015-00937 (PTAB Sept. 17, 2015)
- Estoppel: Additional petitions on the same patent claims are barred where the evidence shows “that a skilled searcher conducting a diligent search would have likely searched the [relevant libraries] and uncovered [the new publication]” when the first petition was filed. *IBM v. Intellectual Ventures*, IPR2014-01465 (PTAB Nov. 6, 2015)



Other Significant Cases

Printed publication

- Determination involves a case-by-case inquiry into the facts and circumstances surrounding its disclosure to members of the public. *In re Klopfenstein*, 380 F.3d 1345, 1350 (Fed. Cir. 2004)
- A document is “publicly accessible” upon a satisfactory showing that it “has been disseminated or otherwise made available **to the extent that persons interested and ordinarily skilled in the subject matter or art exercising reasonable diligence, can locate it.**” *Temporal Power, Ltd. v. Beacon Power, LLC*, IPR2015-00146 (PTAB Apr. 27, 2015) (petitioner failed to submit sufficient evidence of publication) (emphasis added)



Other Significant Cases

Printed publication

- Factors:
 1. the length of time the display was exhibited,
 2. the expertise of the target audience,
 3. whether there were reasonable expectations that the material would not be copied, and
 4. the ease with which the material displayed could have been copied

Klopfenstein, 380 F.3d at 1350



Other Significant Cases

Printed publication

- PTAB has rejected:
 - Evidence of the sale of a product to establish that the operating manual is a “printed publication”
 - Draft IEEE standards that were only accessible to those who knew of their existence and how to request access
 - Master’s thesis where there was no evidence that it had actually been distributed or indexed in a library
 - Slides accompanying an oral presentation at a conference where there was insufficient evidence of the factors
 - Disclosure of a document in an Information Disclosure Statement during prosecution of a patent application



Questions?

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