

A Practical Guide to *Inter Partes* Review

Strategic Considerations for Pursuing *Inter Partes*
Review in a Litigation Context





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Overview of *Inter Partes* Review



Inter Partes Reexamination

Inter partes reexamination (RIP)

- Introduced in 1999, as “expanded” *ex parte* reexamination
- Provided third party requesters greater opportunity to participate by filing “comments” after patentee responses
- Requester and patentee could file supporting declarations
- Appeal to the BPAI (now PTAB), then Court of Appeals for the Federal Circuit
- Estoppel attached after all appeals final



Inter Partes Reexamination

Inter partes reexamination suffered from several key problems:

- An *inter partes* proceeding in *ex parte* clothes
- Slow to institute and decide
- Multiple levels of appellate review
- No discovery/cross examination of declarants
- Relatively expensive due to prolonged process and reluctance of district courts to stay concurrent litigation (primarily due to PTO delays)
- No termination upon settlement of dispute



Leahy-Smith America Invents Act (“AIA”)

On September 16, 2012, the AIA eliminated *inter partes* reexamination, but added two new post-grant challenge procedures, including *inter partes* review (IPR):

Pre-AIA Post-Grant Challenges	Post-AIA Post-Grant Challenges
Ex Parte Reexamination	Ex Parte Reexamination
Inter Partes Reexamination	Inter Partes Review
	Post Grant Review



Inter Partes Review

Inter partes reexamination and *inter partes* review are similar in some respects:

- ***Basis:*** §§ 102 and 103 based on patents or printed publications
- ***Standard to Initiate:*** “Reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged”
- ***Standard to Prove Invalidity:*** Preponderance (51%)
- ***Estoppel:*** Bar reliance on prior art that the challenger “raised or reasonably could have raised” (IPR estoppel attaches upon PTO’s final written decision)



Inter Partes Review

Inter partes review is intended to be quicker, more efficient, and less expensive for post-grant patent challenges:

- ***Faster to decide:***

- Initial determination of specific grounds within 6 months from date of filing
- Final decision within 12 months after institution (up to 18 for good cause)

- ***Faster to appeal:***

- PTAB adjudicates validity
- Just one stop at the PTO before appeal to Federal Circuit



Inter Partes Review

Inter partes review also offers the benefit of new litigation-like procedures before the Patent Office:

- “Real-time” interaction with Board during proceeding
- Claim construction
- Depositions of declarants (expert and fact)
- Evidence objections
- Oral hearing

Potential Advantages of IPR Versus District Court Litigation



Advantages of IPR vs. Litigation

IPR offers accused infringers several potential advantages over district court litigation:

- Broader claim construction standard
- Lower burden to prove invalidity
- Technical decision makers
- Speedy resolution
- Lower costs
- Higher chances of success



Favorable Claim Construction Standard

- The PTO uses a “broadest reasonable interpretation standard” for claim construction in IPRs—usually will result in a broader construction than in district court
 - Most claims should be easier to invalidate in IPR
 - Also may force patentee to take positions (without the benefit of discovery into the accused products) that can be used against it in litigation
- But in an IPR, an accused infringer may also be forced to take claim construction (and invalidity) positions, without knowing the patentee’s infringement positions



Lower Burden of Proof

- Presumption of validity does not apply in IPRs
- The PTO uses a preponderance standard (51%), rather than the higher “clear and convincing evidence” standard applied in civil actions
- APJs deciding an IPR are more likely to appreciate the challenges that examiners face during prosecution (and less likely to defer to examiner conclusions)



Speedy Resolution

- IPR has a faster and more predictable schedule due to statutory time limits—favors a highly prepared petitioner
 - Must be instituted within 6 months of petition
 - Must be resolved within 12 months after initiation (with six-month extension possible for good cause)
 - Total time from filing likely to range from 18 to 24 months
- Accelerated timing suggests a higher likelihood that courts will grant a stay of litigation pending outcome of the IPR



Lower Costs

- IPRs will typically cost a fraction of the significant costs associated with full-blown patent litigation
- IPRs should be especially useful in dealing with patent trolls—better chance at litigation stay and threat of early claim construction and quick invalidity decision can reduce costs and promote early settlement
- But lower costs come at a price: limited discovery is a significant reason for the modest price tag of an IPR
- IPR costs may become substantial if a challenger is forced to contest many asserted patents



Discovery

- IPRs permit some discovery:
 - Provides a mechanism to challenge declarations
 - Accused infringer may be able to elicit disclaimers from the patentee that support a later non-infringement position
- But only “limited discovery” is available, and additional discovery allowed only if “in the interest of justice”
- Discovery limits can be an advantage—e.g., patentee cannot get discovery of accused products

Should You File an IPR Request?



Considerations Whether to File an IPR

- | | |
|--|--|
| <ul style="list-style-type: none">▪ Litigation venue▪ Complexity of patented technology▪ Number of contested patents▪ Possibility of litigation stay▪ Strength of asserted prior art | <ul style="list-style-type: none">▪ Whether PTO previously considered asserted prior art▪ Availability of other types of prior art (e.g., prior public use)▪ Availability of other types of defenses▪ Strength of noninfringement position▪ Risk of retaliatory litigation or IPRs |
|--|--|



Litigation Venue

- IPR more attractive if facing litigation in a jurisdiction unlikely to invalidate the patent (e.g., E.D. Tex.)
 - IPR estoppel risk less worrisome if unlikely to win on invalidity grounds in district court, and may also get stay
 - But unsuccessful IPR may eliminate “compromise” verdict possibility if no invalidity defense left for trial
- Insufficient data to know whether APJs will have a pro-patent slant of their own
- Challenger can wait up to one year after litigation begins to seek IPR—may allow time to “test” the venue



Complexity of Patented Technology

- A challenger contesting a patent directed to a complex technology may fare better in an IPR vs. litigation
- Judges and juries may be uncomfortable invalidating patents they do not understand
- An IPR is conducted by a panel of APJs, all of whom are likely to have an engineering/science background
 - More likely to dig into and understand the technical details
 - Better-suited to understand complex technology and invalidity arguments, including potential obviousness combinations



Number of Asserted Patents

- Cost-savings of IPR may be less attractive if facing multiple asserted patents
 - Each patent will need its own IPR filing (along with its own set of prior art and expert declarations), which can become very expensive
- May make sense to target a subset of asserted patents for IPRs
 - Limits overall costs
 - But may hurt chances for a stay, or may limit the scope of a stay only to those patents in IPR



Possibility of Litigation Stay

- So far, courts have been willing to stay concurrent litigation pending the outcome of an IPR—some even before IPR institution and close to trial
- Increased chance of stay may weigh against seeking IPR
 - For accused infringers wishing to press litigation
 - For a party that is both a patentee and accused infringer (i.e., filing an IPR on the other party's patents runs the risk of a stay of the entire litigation)
- Data on stays is evolving—early exuberance has cooled (running about 50% for contested stays)



Strength of Asserted Prior Art

- PTO appears to be applying greater scrutiny to IPR requests vs. *inter partes* reexamination—greater risk PTO refuses to institute an IPR on all grounds sought
- PTO refusal to institute an IPR will not give rise to formal estoppel
- But patentee may try to use PTO's denial decision to undercut the cite prior art (as well as prior art not included in the denied IPR request)



Previously-Considered Prior Art

- IPR may be more attractive for prior art that the PTO previously considered during prosecution
- Judge/juries are unlikely to invalidate a patent based on prior art considered during prosecution
- APJs are more likely to consider arguments based on previously considered prior art
 - No presumption of validity in IPR
 - APJs are less likely to defer to patent examiners—but still should have strong evidence of mistake or oversight



Availability of Other Types of Prior Art

- IPR may be more attractive if prior art is available that cannot be asserted in an IPR
 - Scope of an IPR is limited to patents and printed publications
 - Estoppel from an unsuccessful IPR does not apply to other types of prior art (e.g., prior art products)
- If only patents and printed publications are available, an unsuccessful IPR may leave an accused infringer with no prior art invalidity defense in litigation



Availability of Other Defenses

- IPR may be more attractive if the accused infringer has non-prior art defenses available
- Estoppel from an unsuccessful IPR does not apply to:
 - Non-prior art invalidity defenses (e.g., lack of written description and/or enablement, lack of patentable subject matter)
 - Unenforceability defenses
- If no other defenses are available, an unsuccessful IPR may leave only noninfringement arguments for trial



Strength of Noninfringement Position

- IPR may be more attractive if the accused infringer has strong noninfringement positions
 - Lower litigation risk if IPR is unsuccessful IPR
 - But even a strong noninfringement position may be hurt if a party has no invalidity defense remaining after IPR
- An accused infringer with weak (or no) noninfringement positions should think carefully about where to adjudicate validity (district court or IPR)



Risk of Retaliatory IPR or Litigation

- IPR can present a quick and less costly way to resolve post-grant patent challenges
- But a risk/cost calculation must account for possibility that the patentee will respond to an IPR request by:
 - Filing litigation (if not filed already)
 - Expanding the scope of the parties' dispute by asserting new patents beyond those at issue in the IPR request
 - Putting the accused infringer's patent portfolio at risk by filing IPR requests of its own



Past Damages Exposure

- IPR may make sense if past damages exposure is significant, even if asserted claims are likely to survive IPR in amended form
 - Under doctrine of intervening rights, a patentee cannot seek past damages for asserted claims that are amended during IPR
 - Need to balance against potential risks if original claims emerge from the IPR without amendment—i.e., may face same damages exposure with a weaker invalidity position



Existence of a JDG

- IPR petitioner must identify all “real parties in interest”— who, with their “privities,” will be bound by estoppel if the IPR is unsuccessful
 - Privity issue likely to arise later in district court litigation (PTO has been reluctant to allow discovery on privity issues)
 - Not much existing case law on this issue
 - Recent decisions confirm that one does not become a real party-in-interest or in “privity” with an IPR petitioner based solely on JDG participation



Existence of a JDG

- But a JDG member who controls or funds an IPR brought by another member could be subject to estoppel
- JDG members need to be mindful of JDG activities that may give rise to privity with members requesting IPR
 - Examples might include commenting on drafts; discussing overall strategy; sharing work product; using overlapping experts
- May be able to use JDG agreement to articulate limits on JDG work product



Strategic Summary

Strategically, an IPR may be most appealing where:

- Litigation is pending or likely in a jurisdiction where the judge/jury is unlikely to invalidate the patent
- The accused infringer is hoping to obtain a stay
- The PTO already considered the best prior art during original prosecution
- The prior art in the IPR request is reasonably strong, and other strong defenses remain



Questions?

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