

# 2015 Intellectual Property Playbook

## Tips to capitalize on post-grant patent proceedings

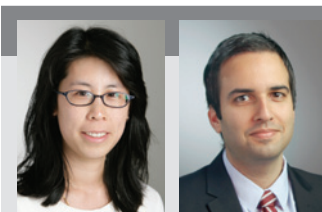
Defendants are finding inter partes and covered business reviews to be potent parts of their patent litigation strategies

### Intellectual Property

Since 2012, when the U.S. Patent and Trademark Office instituted inter partes review and covered business method review to challenge the validity of patents, defendants sued for patent infringement have been increasingly using these procedures and finding them to be effective tools.

There are different strategies defendants and patent owners should consider with these procedures.

Under the new procedures, an IPR can be widely used because it applies to all patents. A petitioner can file an IPR petition based on §102 (anticipation) or §103 (obviousness) grounds using only prior art patents or printed publications. A petitioner can file an IPR petition without being sued for patent infringement, but will be barred after one year from the date of service of a complaint or if it filed a



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declaratory judgment action of invalidity.

A covered business method (CBM) review applies only to patents having claims directed to a method or corresponding apparatus for performing data processing or other operations for a financial product or service, which are not technological inventions. A petitioner can file a CBM petition based on §101 (unpatentable subject matter), §102 (anticipation), §103 (obviousness), or §112 (indefiniteness, lack of written description) grounds. A petitioner can only file a CBM petition after it has been sued for or charged with patent infringement, but will be barred if it filed a declaratory judgment action for invalidity.

### IPR AND CBM STATISTICS

As of March 12, the Patent Trial and Appeal Board (PTAB) had received 2,603 IPR petitions and 315 CBM petitions since the procedures went into effect in September 2012. Of those petitions, the patent owners have filed a preliminary response to about 81 percent of the IPR and 89 percent of the CBM petitions.

The PTAB has issued 1,565 IPR and 178 CBM decisions on institution. Of those decisions, the PTAB has instituted trials for about 80 percent of the IPR and 78 percent of the CBM petitions, at least in part. The PTAB has denied institution due to, for example, a statutorily-barred petition, claim



construction, failure to identify all claim limitations in the cited prior art or an inadequate expert declaration.

The PTAB has issued 275 IPR and 34 CBM final written decisions. In about 80 percent of the IPR and 94 percent of the CBM decisions, the PTAB has invalidated at least one of the instituted claims. And in about 67 percent of the IPR and 85 percent of the CBM decisions, the PTAB has invalidated all instituted claims. So far, 189 appeals have been filed, based on 152 IPR and 37 CBM final written decisions.

### **IMPACT ON RELATED DISTRICT COURT LITIGATION**

As of March 18, the district courts have issued 591 orders on motions to stay litigation pending IPR and CBM review.

District courts have issued 494 orders on motions to stay litigation pending IPR review. Of those, about 70 percent were

granted at least in part. However, the statistics vary significantly between jurisdictions. For example, in the Northern District of California, the court issued 75 orders, of which 79 percent were granted at least in part. In the District of Delaware, the court issued 50 orders, of which 74 percent were granted at least in part. In the Eastern District of Texas, the court issued 52 orders, of which 52 percent were granted at least in part.

District courts have issued 97 orders on motions to stay litigation pending CBM review. Of those, about 66 percent were granted at least in part. In the Northern District of California, the court issued five orders, of which 80 percent were granted at least in part. In the District of Delaware, the court issued nine orders, of which 67 percent were granted at least in part. In the Eastern District of Texas, the court issued 22 orders, of which 36 percent were granted at least in part.

With the introduction of these procedures, a number of related district court cases have settled. As of March 12, 451 cases with IPRs had settled and 55 cases with CBMs had settled. These cases often settled within the first nine months of the petitions being filed.

*IPRs and CBMs as Part of a Defendant's Litigation Strategy.*

To be successful, a defendant sued for patent infringement should consider a number of factors at the onset of a case in deciding whether to file an IPR or CBM petition.

### **TIMING**

An IPR petition must be filed within one year of the date of service of the complaint, while a CBM petition does not have this restriction. The defendant should consider filing early to increase the chances of obtaining a stay of the related litigation. How-

ever, this requires the defendant to spend time and resources upfront developing invalidity defenses, and to anticipate the plaintiff's strategy in deciding which claims to include in the petition when the asserted claims have not yet been identified.

### CLAIM CONSTRUCTION

Filing an IPR or CBM petition may force the patent owner to offer narrower claim constructions to distinguish over the prior art and preserve the validity of a patent. The defendant could then leverage these positions to support claim construction and non-infringement arguments in the related litigation.

### ESTOPPEL

The defendant risks estoppel in the related litigation. For an IPR, the defendant will be estopped from raising any prior art patents or publications that reasonably could have been raised, but can still raise other invalidity defenses like prior art systems, and §101 and §112 grounds. For a CBM, the estoppel risk is low because the defendant will be estopped only from grounds that were actually raised.

### SETTLEMENT

Filing an IPR or CBM petition can put pressure on the patent owner to settle the related litigation and terminate the IPR or CBM. The patent owner may need to defend validity early in the case, and in particular, may need to make statements to preserve validity that may result in a weaker infringement case in the related litigation. Because these procedures create a risk that patent claims will be found invalid, the patent owner may be more inclined to settle so it can continue to assert the patent against other defendants.

### MULTIPLE DEFENDANTS

For cases involving multiple defendants or a joint defense group, a defendant must

consider whether it should join an IPR or CBM if one of the co-defendants plans to file a petition. Joining the IPR or CBM allows a defendant to have some input into the strategy.

However, the defendant risks estoppel in the related litigation. For a defendant that decides not to join in the IPR or CBM, it is important for the defendant to avoid any joint defense group communications that could create a real-party-in-interest issue, or else it runs the risk of being barred by estoppel.

### A PATENT OWNER'S RESPONSE STRATEGY

The patent owner should also consider a number of factors in response to an IPR or CBM petition.

Patent owners are increasingly filing preliminary responses prior to a decision on institution. The response provides the PTAB with counter-arguments to consider rather than just the defendant's petition, and can be an effective tool to knock out some or all of the issues at play. The response can be used, say, to get rid of a statutorily-barred petition, raise any real party-in-interest or privity issues, challenge the status of any references as prior art, raise any claim construction issues and argue the patentability of the claims over the prior art.

The patent owner should weigh the benefits of filing the response against the potential risk that making distinctions over the prior art or offering narrow claim constructions to preserve validity may weaken the infringement case in the related litigation.

### MOTION TO AMEND

Patent owners may file one motion to amend the claims after conferring with the PTAB. The patent owner typically files the motion with the patent owner response and can cancel a challenged

claim or propose a reasonable number of substitute claims.

The patent owner has a high burden of proof in showing it is entitled to the substitute claims. The substitute claims must respond to the ground(s) of unpatentability involved in the procedure and must not enlarge the claim scope. Also, the patent owner must show support in the original specification for every claim limitation and support in each previously filed disclosure for which priority is sought, present a proposed construction for any newly added feature that can reasonably be thought to be in dispute and show patentability over all art in the procedure and all known prior art.

The PTAB has denied motions to amend more than 90 percent of the time it is presented with substitute claims. On March 27, the USPTO announced a quick fix that increases the page limit for motions to amend from 15 to 25 pages, plus a claims appendix—along with increases in the page limits for the opposition and reply briefs—to give patent owners more pages to address the patentability of the substitute claims.

IPRs and CBMs are proving to be procedures parties should consider in a patent dispute. Adjudicating the validity of patent claims before the PTAB can facilitate stays and settlements of related litigations. Defendants should consider IPRs or CBMs as part of their broader litigation strategy, and patent owners should be aware of their potential benefits. The procedures provide strategies both defendants and patent owners should consider when involved in a patent dispute.