

Early Results of Post Grant Proceedings

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It is almost three years since president Obama signed the patent reform legislation, the America Invents Act (“AIA”). Hailed as a rare piece of consensus legislation out of Congress, the AIA made many changes to the patent laws. Among the most significant changes is the creation of a trial-like procedure at the PTO which allows parties to adjudicate the validity of patent claims. Two of the proceedings, inter partes review (“IPR”) and a transitional procedure for covered business method (“CBM”) review, have been available since September 16, 2012. In the almost 20 months the patent community is starting to have a picture of the proceeding at the Patent Office. This article provides a brief review of the proceedings and the results of the proceedings.

As of May 1, 2014, there have been 1,139 IPR petitions and 161 CBM petitions.¹ According to PTO rules, the Patent Trial and Appeal Board (“Board”) must make a decision on institution within six months from the petition filing date. Additionally, the AIA statute requires that the Board enter a final written decision within one year from the decision on institution. Similar to reexamination, during the IPR or CBM process, patent owners are permitted to file a motion to amend claims and seek a determination that the amended claims are patentable. One important difference from reexamination procedures is that the statute permits settlement of the IPR and CBM procedures while settlement was not possible for reexamination.

INSTITUTION OF IPR AND CBM TRIALS

The results from the first 20 months of experience with the proceedings are accumulating. Of the IPR petitions filed for each proceeding, 576 IPRs have reached a decision on institution and 457 trials have been instituted.² 107 IPR petitions have been denied. Of the 74 CBMs which have reached a decision on institution, 58 trials have been instituted and 15 have been denied. For both CBMs and IPRs, the Board is deciding to institute a trial in slightly less than 80 percent of the total

decisions on institution. Thus, according to the statistics from the Board, a petition filed in an IPR or a CBM stands a good chance of being instituted on at least one challenged claim.

The AIA statute also provides a process for joining multiple parties in a single trial for determination of the validity of the challenged claims.³ Many patent disputes involve a patent owner asserting one or more patents against multiple defendants. Some petitioners have requested to join previously filed IPRs or CBMs on the same patent, though not all requests for joinder are granted. There have only been 12 joinders permitted in IPRs and only one CBM joinder.⁴ Generally, a motion for joinder filed early, with the same challenged claims, the same ground of unpatentability and using the same references is more likely to be granted than a request with even small differences between the petitions sought to be joined. Accordingly, while the number of multi-defendant patent suites are high, the early number of joinders indicate that defendants are generally not seeking to invalidate the asserted claims together.

IPR PETITIONS TERMINATED

The Board also published the number of IPR petitions terminated and how they were disposed.⁵ There have been 205 petitions terminated as of May 1, 2014. This represents less than one quarter of the petitions that have been filed and is a small fraction of the patents which are issued every year. In the 205 petitions which have been terminated there are 7,095 claims.⁶ Accordingly, the information below regarding the disposition of how the 205 petitions terminated with the 7,095 claims should be viewed as important *early* data. The Board’s disposition of petitions may change with changing trends of the usage of the IPR process over time.

IPR Trials Not Instituted

Of the 205 petitions which have been terminated, there are 68 petitions where the Board did not institute trial. While not specified in the materials published by the Board, the possibility of a termination prior to institution can occur in three ways: The patent owner may have disclaimed the

challenged claims after the petition was filed.⁷ The patent owner may have settled with the petitioner in a manner which the Board approved of termination.⁸ Finally, the Board may have denied the grounds of unpatentability sought by the petition.⁹

In most IPR petitions which have been filed, fewer than all the claims of the patent are challenged as unpatentable. For the trials not instituted, 974 claims have not been instituted. In addition to challenged claims which have had all requested grounds denied, these 974 claims include claims for which the patent owner requested adverse judgment and circumstances when the patent owner and petitioner were able to enter into a pre-institution settlement.

IPR Trials Instituted

In the balance of the 205 petitions, or 137 petitions, the Board has instituted trial. Even after the decision on institution, parties can still settle the proceeding. Of the petitions which proceeded to trial, 92 have been settled, dismissed or there has been a request for adverse judgment. Once the trial is instituted, the Board may proceed to a final written decision even though the parties settle. The early view was that the Board was more inclined to proceed to a final written decision when the settlement occurred earlier in a proceeding.¹⁰ Recently, the Board has indicated a receptivity to terminating an IPR even when a settlement occurs after all the merits briefing is completed.¹¹ A patent owner can disclaim claims at any time during the proceeding after institution of trial.¹²

Results of Final Written Decisions

Only 45 of the 137 trials instituted have proceeded to a final written decision.¹³ Thus, less than one quarter of the terminated petitions and less than five percent of the total petitions filed have proceeded to a final written decision. Even so, statistics about final written decisions are an important consideration – it is the culmination of a year-long trial process with significant merits briefing. It is also the Board’s analysis of the record which would be the subject of an appeal at the Court of Appeals for the Federal Circuit. Accordingly, while the number of final written decisions are few, they provide a good early indicator of how the Board will dispose of challenged claims which are not otherwise terminated in the proceeding.

All instituted claims have been found to be unpatentable in 26 of the final written decisions entered thus far.¹⁴ Additionally, 12 of the final written decisions have had

at least some of the instituted claims determined to be unpatentable.¹⁵ Seven trials yielded a final written decision where none of the instituted claims were found to be unpatentable.¹⁶

Looking at the particular number of challenged claims, there have been 1,900 challenged claims instituted (in 137 of the 205 petitions which have been terminated to date). Perhaps surprisingly, only 467 claims have been found unpatentable in the 38 petitions with final written decisions.¹⁷ This represents one quarter of the claims instituted for petitions which have terminated. Another 417 instituted claims have been cancelled or disclaimed by the patent owner (i.e., not by the Board) after the decision on institution. There have been 144 instituted claims found patentable by the Board and 872 instituted claims remain patentable because of settlement or other disposition.¹⁸

Thus, based on the 205 petitions which have been terminated, the Board has only found a quarter of the claims unpatentable – roughly the same number were cancelled or disclaimed by the patent owner. Half of the claims in the terminated petitions survived the challenge because the parties settled and less than 10 percent have been adjudicated as patentable by the Board.

OBSERVATIONS ON EARLY RESULTS

The first 20 months of the IPR process has demonstrated early and wide adoption rate for the PTO process to invalidate patents. This is in contrast to the inter partes reexamination where there were fewer than two dozen filed in the first three years.

The Board appears to be maintaining the time frame for the IPRs – a decision on

institution generally within six months and one year from decision on institution to a final written decision.¹⁹

The Board appears to recognize the that the petitions can be disposed in many ways – from disclaiming claims to parties settling the dispute(s) related to the challenged claims.

The Board appears to be striving for a balanced approach which can provide all parties confidence that the process of determining validity is fair and just – that some claims will be cancelled and others will be found patentable based on the merits of each case.

Patent owners can consider settlement of disputed claims as a strategy to emerge from the proceeding with patentable claims. Statistically, it is the most likely way that claims will survive an IPR proceeding as patentable.

Not provided in the statistics provided by the Board, because it would be impossible, is a determination of how many of the instituted claims which the PTO found to be patentable include additional arguments which a petitioner/defendant would be able to use in a later proceeding in the district court.

CONCLUSION

The early adoption of the IPR and CBM processes at the PTO are clear indications that the AIA was appropriately responding to the marketplace in providing a participative process at the PTO to challenge the validity of issued claims. The PTO appears to be taking the charter seriously and engaging in the procedure – a process as unfamiliar to them as many practitioners – with care and sensitivity. Over the next 20 months the patent

community will continue to participate in and evaluate the proceedings, time will tell if the early adoption will lead to a long-standing stable process at the PTO. **(IPT)**

ENDNOTES

1. The AIA Trial Roundtable presentation May 14, 2014 (“Trial Roundtable”) releasing Board statistics current as of May 1, 2014. Available at http://www.uspto.gov/ip/boards/bpai/ptab_aia_trial_roundtables_2014.jsp.
2. Trial Roundtable, slide 26. These results are from early filers in the procedure and is important information about how the procedure is being received, they are not necessarily indicative of long term trends.
3. AIA 35 U.S.C. 315(c) and 325(c). Joinder must be requested within one month of a decision on institution of the petition with which joinder is sought.
4. The total number of joinders is 25, including the base cases and one base case had two petitions joined. Trial Roundtable, slide 26.
5. Roundtable, slide 8. The Board has not yet provided similar statistics for CBMs. Accordingly, the balance of the article addresses only IPRs.
6. *Id.*, slide 9.
7. See, e.g., IPR2013-00620, -00621.
8. See, e.g., IPR2013-00603, -00604.
9. See, e.g., IPR2013-00054.
10. Cite to Order regarding proceeding to FWD.
11. See e.g., IPR2013-00184, -00185, -00186, -00187, -00188 and -00189.
12. See e.g., IPR2013-00605.
13. Roundtable, slide 9.
14. *Id.*, slide 8.
15. *Id.*
16. *Id.*
17. *Id.*, slide 9.
18. *Id.*
19. The rule provides the patent owner three months to file a patent owner preliminary response within three months and then once the patent owner files (or waives) the preliminary response, the Board has three months. Thus in the aggregate it is generally 6 months from filing the petition to the decision on institution. This author is unaware of any final written decision which has been entered more than a year after the decision on institution.

