

Panel Discussion: Trends in Post-Grant Review Patent Proceedings

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Panel



David Cavanaugh
Partner
Intellectual Property



Mark Matuschak
Partner
IP Litigation



Monica Grewal
Partner
Intellectual Property



Greg Lantier
Partner
IP Litigation



Panel Topics

- Update on Board Activity and Statistics
- Concurrent IPR and Litigation Strategies
- Resolving IPRs
- Motions to Exclude Evidence
- Oral Hearing and Demonstratives
- Appeals



Post Grant Proceedings to Date

- 2050 IPR Petitions Filed
 - WilmerHale has filed over 100
- 255 CBM Petitions Filed
- 156 Final Written Decisions
 - At least one claim found to be invalid 88% of decisions
 - All challenged claims found invalid in 74% of decisions
- Nearly 100 Appeals Filed
 - 81 IPR Appeals (As of Oct. 29)
 - 13 CBM Appeals (As of Oct. 29)

Updated: 11/6/2014



Settlements

- Of 117 settled cases as of April of 2014:
 - 53 (45%) settled before institution
 - 20 settled in 90 days of filing
 - 48 settled in first six months after filing
 - 64 (55%) settled after institution
 - 37 settled after institution but in first nine months after filing
 - 105 or 90% of the settlements were within 9 months of filing



Stays to District Court Litigation

- District Courts have issued over 268 orders on *contested* motions to stay litigation pending IPR and CBM review
 - 220 regarding requests to stay pending IPR
 - 128 granted or granted-in-part a stay—a grant rate of 58%
 - 48 regarding requests to stay pending CBM Review
 - 29 granted or granted-in-part a stay—a grant rate of 60%
 - There have been two Federal Circuit decisions regarding stays pending CBM review. *Virtual Agility v. Salesforce*, Fed. Cir. No. 14-1232; *Benefit Funding v. Advance America*, Fed. Cir. Case No. 14-1122
 - There are currently four appeals pending before the Federal Circuit pursuant to Section 18(b) of the AIA. Fed. Cir. Case Nos. 14-1329, 14-1468, 14-1724, and 14-1786



IPR as Part of a Litigation Strategy

- Observations from Experience
 - Benefits of determining IPR strategy at outset of the case
 - Timing
 - Claim construction
 - Estoppel
 - Settlement



IPR Timing

- Filing quickly can increase likelihood of obtaining stay of litigation
 - Stays in contested cases
 - Timing before/after decision on institution
 - Complete coverage of all claims is time consuming and expensive
 - Requires significant investment in development of invalidity early in the case
- But filing too quickly can present challenges:
 - Plaintiff may not yet have been required to identify asserted claims
 - If IPR can't cover all claims (e.g., too many patents or too many claims), patent owner may be able to refocus litigation on non-challenged claims



Claim Construction

- If IPR is timed so that patent owner's statement is filed in PTAB before *Markman* in District Court, petitioner can use patent owner's arguments distinguishing prior art to support narrow constructions in District Court
- Patent owner may need to take a more narrow interpretation of claims to preserve validity and thereby create or improve noninfringement arguments
- Patent owner must develop patentability position early – and possibly without full knowledge of accused product
- Patent owner may have to take claim construction positions before obtaining discovery on accused products, and before District Court *Markman* proceedings



Estoppel

- Only applies to publication art
 - Evaluate non-publication art to determine if other grounds of unpatentability exist
- Applies to all art that “reasonably could have been raised”
 - Be aware of breadth of estoppel
- Balancing the effect of the estoppel and other considerations
 - How would the invalidity case be tried in District Court?
 - Are there aspects of the invalidity case which are better addressed by persons with a technology background?
 - How does the standard of claim construction at the PTO and burden of proof issues for post grant proceeding factor in?



Settlement

- Filing quickly can increase pressure on patent owner:
 - Must devote significantly more resources to invalidity case early
 - Faces difficult choice of preserving best validity (narrow) or best noninfringement (broad)
 - Increases risk for patent owner who has sued multiple defendants or plans to engage in multiple “rounds” of lawsuits



IPRs in Multi-Defendant Litigation

- If a co-defendant plans to file an IPR, better to stay out or join?
 - Strategic decision based on several considerations
 - All parties participating in IPR are estopped from raising invalidity issues that “reasonably could have been raised” in the IPR
 - Although jury is not likely to find patents invalid based on the **same** prior art raised in the IPR, defendants who do not participate in IPR may have a solid invalidity case based on other prior art
 - Difficulties presented by joint defense groups if not everyone has joined IPRs



IPRs in Multi-Defendant Litigation

- If you decide ***not*** to join in the IPR:
 - Critical to avoid JDG communications that could create “real party in interest” issues
 - IPR petition must identify real parties-in-interest
 - Any party found to be a “real party in interest” will be barred by estoppel
 - We have found that plaintiffs firms are focusing on this issue



IPRs in Multi-Defendant Litigation

- Law on “real parties in interest” continues to develop
 - How much can petitioner share with JDG without creating privity?
 - Central issues appear to be “control” and “financing”
 - Recent decisions from the Board
 - *Zoll Lifecor Corp. v. Philips Electronics North America, et al.*, IPR2013-00612



Managing Claim Construction in Parallel Proceedings

- First time the patent rules have formally adopted “broadest reasonable interpretation” standard for claim construction
- Issue of potentially competing claim constructions is presented squarely under the new rules
- Early indications regarding parallel proceedings involving differing claim construction standards



IPR Termination

- 35 U.S.C. §317: “An *inter partes* review instituted under this chapter shall be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed.”
 - See, e.g., IPR2013-00603, paper 15, p. 2. (PTAB Jan. 7, 2014)
- However “the Board is not a party to the settlement and may independently determine any question of jurisdiction, patentability, or Office practice.” 37 C.F.R. § 42.74(a)



The USPTO Position on IPR Termination

- “There are strong public policy reasons to favor settlement between the parties to a proceeding” 77 Fed. Reg. 48756, 48768, para. (N) (Aug. 14, 2012) (“The Trial Practice Guide”)
- “The Board expects that a proceeding will terminate after the filing of a settlement agreement, unless the Board has already decided the merits of the proceeding.” 77 Fed. Reg. 48756, 48768, para. (N) (Aug. 14, 2012) (“The Trial Practice Guide”)
- What does this mean in practice?



Termination Considerations

- Additional parties to current litigation
 - Impact on litigation
 - Timing considerations
- Potential future defendants
 - Potential privity finding
- Other petitioners
 - Joinder considerations



Motions to Exclude Evidence

- A party wishing to challenge admissibility of evidence must (37 C.F.R. § 42.64):
 - Make a timely objection
 - Preserve the objection by filing a motion to exclude
- Prior authorization of the Board not required
- Timing set in the Scheduling Order
- 15 pages for motions and oppositions; 5 pages for replies (37 C.F.R. § 42.24)



Trends for Motions to Exclude

- The Board generally rejects motions to exclude
- Out of approximately 153 motions to exclude, the Board has:
 - Granted 12 motions at least in part
 - Denied 140 motions
 - Ordered additional briefing on 1 motion
- The Board is hesitant to exclude evidence, but it is more likely to do so based on:
 - Untimely submission of new evidence/arguments
 - Evidence with clear deficiencies, such as inadmissible hearsay or a failure to file/produce supporting documents for an expert declaration



Strategic Considerations for Motions to Exclude

- Motions to exclude can be used effectively even if they are denied
- Consider using motions to exclude to highlight deficiencies or weaknesses in evidence
- Be selective with motions to exclude
 - Broad objections can detract from most important motions and risk sanctions
 - *E.g.*, IPR2013-00082 to 87, June 19, 2013 Order (threatening sanctions for broad objections that result in unnecessary delay and cost)
 - Consider both risk of waiving objections and risk that a successful motion could create an appealable issue



Hearings – Overview

- File Request for Oral Argument
 - Deadline set by Board in the scheduling order
 - Typically around the same time as the Motions to Exclude
- Board will issue an Order for the Trial Hearing a few weeks prior to the hearing
 - Date and time of hearing
 - Total argument time for each party
 - Information about demonstratives
- Receive a transcript of the proceeding within a few weeks after hearing



Hearings – Overview

- Hearings are generally 1.5 to 4 hours
 - 45 min. to 1 hour per side for 1 patent; 1.5 to 2 hours per side for multiple patents
 - Petitioner should generally reserve time for rebuttal
 - Petitioner presents, then Patent Owner, and then Petitioner presents a rebuttal (if any)
- Evidence (exhibits and testimony) already in the record
 - May file a motion requesting live testimony from an expert or fact witness (77 Fed. Reg. 48768) but generally not necessary
- Parties can choose what to cover, but Board usually active



Demonstratives

- Consider using cropped evidence (e.g., lines from deposition transcript, view of patent, etc.) as demonstratives
 - More complicated demonstratives risk being seen as new arguments
- Number each slide for easy reference during argument
- Typically cannot use a physical demonstrative (e.g., product sample) unless it is of record in the proceeding



Demonstratives

- Plan to make arguments orally and use the slides to highlight important evidence
- Don't underestimate importance of effective use of demonstratives
 - See, e.g., IPR2013-00084, Final Written Decision, Paper 64 at 21 (including Petitioner's demonstrative in final written decision)



Avoiding New Evidence/Argument

- No new evidence/arguments strictly enforced with respect to demonstratives
 - Board may exclude all of a party's demonstratives rather than reviewing on a demonstrative-by-demonstrative basis
- The Board expects that counsel will be prepared to identify where evidence and arguments appear in the record
 - *E.g., CBS Interactive Inc. v. Helferich Patent Licensing, LLC*, IPR2013-00033, Paper 118 at 4 (Oct. 23, 2013) (noting burden is on party presenting the slide to be able to point to a sentence or paragraph in a paper of record for support)



Avoiding New Evidence/Argument

- We have included potential demonstratives in the Expert declarations so they are in the record before the hearing
 - Reduces the risk demonstratives will be excluded for presenting new evidence/arguments
 - Requires planning ahead and potentially completing demonstratives before filing the Petition, rather than on the eve of the hearing



Questions?

David.Cavanaugh@wilmerhale.com

Monica.Grewal@wilmerhale.com

Gregory.Lantier@wilmerhale.com

Mark.Matuschak@wilmerhale.com



Wilmer Cutler Pickering Hale and Dorr LLP is a Delaware limited liability partnership. WilmerHale principal law offices: 60 State Street, Boston, Massachusetts 02109, +1 617 526 6000; 1875 Pennsylvania Avenue, NW, Washington, DC 20006, +1 202 663 6000. Our United Kingdom offices are operated under a separate Delaware limited liability partnership of solicitors and registered foreign lawyers authorized and regulated by the Solicitors Regulation Authority (SRA No. 287488). Our professional rules can be found at www.sra.org.uk/solicitors/code-of-conduct.page. A list of partners and their professional qualifications is available for inspection at our UK offices. In Beijing, we are registered to operate as a Foreign Law Firm Representative Office. This material is for general informational purposes only and does not represent our advice as to any particular set of facts; nor does it represent any undertaking to keep recipients advised of all legal developments. Prior results do not guarantee a similar outcome. © 2014 Wilmer Cutler Pickering Hale and Dorr LLP