

Post-Grant Review Patent Proceedings

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Post-Grant Proceedings

- IPR, CBM, and PGR Basics
 - Rules and Availability
 - PTAB Statistics
- Strategic Considerations
- IPRs Prior to and During Litigation
- IPRs, Trade Groups, and JDGs

IPR, CBM, and PGR Basics



Inter Partes Review Basics

- **Availability:** Can be filed prior to litigation or up to one year after service of complaint (35 U.S.C. § 315(b))
- **Basis:** Limited to challenges under §§ 102 or 103 based on printed publications and patents (35 U.S.C. § 311(b))
- **Standard to Initiate:** “Reasonable likelihood that petitioner would prevail with respect to at least 1 of the claims challenged in the petition” (35 U.S.C. § 314(a))
- **Standard to Prove Invalidity:** Preponderance of the evidence (35 U.S.C. § 316(e))
- **Estoppel:** If IPR reaches final decision, petitioner is estopped from raising any ground of invalidity it “raised or reasonably could have raised” in civil district court action or ITC, and Patent Owner is estopped from prosecuting any other patentably indistinct claims (35 U.S.C. § 315(e) ; 37 CFR § 42.73)
- **Settlement:** IPRs can be settled (35 U.S.C. § 317)



Covered Business Method Review Basics

- **Availability:** Can be filed prior to litigation or after service of complaint but only if:
 - Claims are to a method or apparatus related to a “financial product or service,” not to a “technological invention” (AIA § 18(d); 37 CFR § 42.301)
 - Petitioner is sued or charged with infringement (AIA § 18(a)(1)(B); 37 CFR § 42.302)
 - If “first to file” patent, time for PGR has expired
- **Basis:** Any ground of invalidity but “first to invent” patents limited to 102(a) prior art (AIA § 18(a)(1)(C))
- **Standard to Initiate:** Claims are to covered business method, and “more likely than not” that at least 1 challenged claim is unpatentable (35 U.S.C. § 324)
- **Standard to Prove Invalidity:** Preponderance of the evidence (35 U.S.C. § 326(e))



Covered Business Method Review Basics

- **Stay:** Denials of motions to stay related litigation subject to interlocutory appeal (AIA § 18(b)(2))
- **Estoppel:** If CBM reaches final decision, petitioner is estopped from raising in litigation any ground of invalidity “raised,” and in subsequent PTO proceeding any ground that “reasonably could have been raised,” and Patent Owner is estopped from prosecuting any other patentably indistinct claims (AIA § 18(a)(1)(D); 37 CFR § 42.73)
- **Settlement:** CBMs can be settled (35 U.S.C. § 327)
- **Interplay between IPRs/CBMs**
 - CBM could be better when available (e.g., broader grounds, potential to appeal denial of stay, narrower estoppel)
 - But limited to claims related to a “financial product or service”



Post-Grant Review Basics

- **Availability:** Can be filed within 9 months of issuance of “first to file” patent (35 U.S.C. § 321(c))
- **Basis:** Any ground of invalidity including 101, 102(a), 103, 112 (35 U.S.C. § 321(b))
- **Standard to Initiate:** “More likely than not” that at least 1 challenged claim is unpatentable, or raises a novel or unsettled legal question (35 U.S.C. § 324(a)-(b))
- **Standard to Prove Invalidity:** Preponderance of the evidence (35 U.S.C. § 326(e))
- **Estoppel:** If PGR reaches final decision, petitioner is estopped from raising any ground of invalidity it “reasonably could have raised” in subsequent PTO proceedings or litigation, and Patent Owner is estopped from prosecuting any other patentably indistinct claims (35 U.S.C. § 325(e); 37 CFR § 42.73)
- **Settlement:** PGRs can be settled (35 U.S.C. § 327)



Statistics: IPRs

PTAB statistics through November 14, 2013*

- IPR Petitions Filed – **652**
- IPR Proceedings Pending – **566**
- Trials Instituted – **196**
 - Institution Rate – 85.6%
- Petitions Denied – **33**
 - Denial Rate – 14.4%
- Disposals – **53**
 - Settlements – 48
 - Final Written Decisions – 4
 - Dismissal – 1

*http://www.uspto.gov/ip/boards/bpai/stats/aia_statistics_11_14_2013.pdf



Statistics: CBMs

PTAB statistics through November 14, 2013*

- CBM Petitions Filed – **86**
- CBM Proceedings Pending – **76**
- Trials Instituted – **19**
 - Institution Rate – 79.2%
- Petitions Denied – **5**
 - Denial Rate – 22.8%
- Disposals – **5**
 - Settlements – 4
 - Final Written Decisions – 1

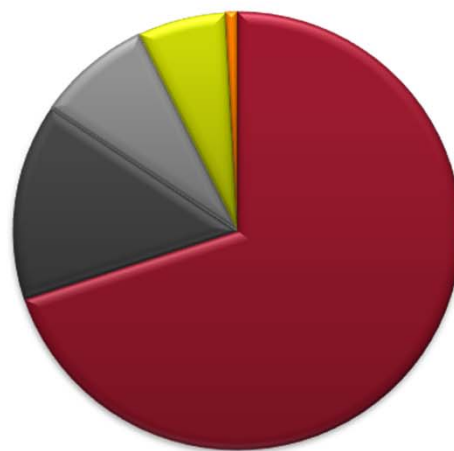
*http://www.uspto.gov/ip/boards/bpai/stats/aia_statistics_11_14_2013.pdf



Statistics: AIA Petitions by Technology

Technology	Petitions	Percentage
Electrical/Computer	496	70.0%
Mechanical	103	14.6%
Chemical	59	8.3%
Bio/Pharma	45	6.3%
Design	6	0.8%

http://www.uspto.gov/ip/boards/bpai/stats/aia_statistics_11_07_2013.pdf



- Electrical/Computer
- Mechanical
- Chemical
- Bio/Pharma
- Design



Statistics: IPRs and Litigation

- IPRs Involved in Concurrent Litigation – **80%**
- Litigation Stays Granted ~ **70%**
 - Includes uncontested and stipulated motions
- Contested Litigation Stays Granted ~ **63%**
 - Granted before institution ~ 62%
 - Denied before institution ~ 38%
 - Granted after institution ~ 70%
 - Denied after institution ~ 30%



First IPR Decision: *Garmin v. Cuozzo*

PTAB found all challenged claims invalid

Some highlights:

- **Obviousness:** Board combined four (4!) references in one obviousness combination, three in another combination
- **Antedating references:** Board applied a rigorous analysis to the evidence submitted to antedate references, not the typical treatment of a Rule 131 declaration
- **Claim construction:** Board did not change construction provided in its initial institution decision
- **Oral Hearing:** Board's final decision cited *three times* to statements Patent Owner made during oral hearing
- **Substitute Claims:** Board denied Patent Owner's motion to amend claims



Further Legislative Reforms

- Most significant proposals have been introduced by House Judiciary Chairman Robert Goodlatte and Senate Judiciary Chairman Patrick Leahy.
- **CBMs:**
 - Original Goodlatte bill would have expanded CBMs but manager’s amendment (introduced this week) withdraws these provisions
- **PGRs:**
 - Estoppel would be narrowed to issues actually “raised”
- **Claim construction:**
 - Claim construction standard for IPRs and PGRs would be same as district court (*i.e.*, not “broadest reasonable” construction)

Strategic Considerations



IPR Upsides and Downsides

When should you consider an IPR?

- **Upsides**

- Quick resolution – PTAB will decide whether to institute within 6 months, and will issue final determination within 12 months of institution (18 months for good cause)
- Favorable standard of proof – no presumption of validity
- Favorable claim construction standard – broadest reasonable construction
- Expertise – PTAB judges have technical degrees and law degrees
- Cheaper than litigation – typically less than \$ 1 million
- PTAB more likely to fairly consider prior art of record in the file history
- Patent owner creating prosecution



IPR Upsides and Downsides

- **Downsides**

- Estoppel
- Expense – cheaper than litigation but cost still considerable and earlier
- Will PTAB have bias in favor of permitting some claims to survive an IPR?
Remains to be seen



IPR Upsides and Downsides

- Relative balance will depend on:
 - Nature and strength of invalidity arguments
 - IPR may be good option if prior art particularly strong
 - IPR also may be attractive option if technology is complex, or if best prior art was considered by original examiner
 - Strength of other defenses
 - IPR is less risky if there are other strong defenses that will not be estopped (*e.g.*, non-infringement, invalidity based on 112 or prior devices/uses)
 - Potential for stay of litigation
 - Potential exposure for past damages (*i.e.*, eliminating or minimizing past damages, creating settlement pressure)



IPRs as a Tool against NPEs

- Can IPRs serve as a tool against NPEs?
- Threatens NPEs' IP assets
- Puts them on defensive earlier
 - Must stake position earlier (if filed quickly, potentially before discovery)
 - Must spend earlier
- If NPE is targeting customers, may provide effective means for manufacturer to challenge patents

IPRs Prior To and During Litigation



IPRs Prior to Litigation

Should you consider an IPR prior to litigation?

- **Upsides**

- Potential to eliminate problem patent
 - To avoid **or terminate** litigation
 - To clear new product
- Even if patent survives IPR, patent owner may have to take positions that can be used to support non-infringement arguments



IPRs Prior to Litigation

▪ Downsides

- May be difficult if many patents, or patents with many claims
 - Estoppel likely claim-specific but PTAB has not ruled on this issue
- If goal is to avoid litigation, may prompt patent owner to sue for infringement
- If goal is to clear new product, may focus patent owner on claims/features significant to new product
- In either case, if continuation applications remain pending, may provide opportunities for patent owner to change claims to avoid prior art



IPRs Prior to Litigation

- Carefully consider timing of petition
 - Filing should be sufficiently early to:
 - Obtain decision before product launch
 - Mitigate business risks (*i.e.*, through design changes)
 - But filing too far in advance might tip off competitors to future product directions

- If you also are considering a declaratory judgment:
 - IPR must be filed before complaint for declaratory judgment
 - Patent owner may contend that even a dismissed complaint bars an IPR (*Compare Macauto v. BOS GmH; with St. Jude v. Volcano*)



IPRs During Ongoing Litigation

- How does an IPR impact ongoing litigation?
- Important to decide at outset if IPR is likely strategy
- If IPR is likely strategy:
 - Nail down as quickly/definitely as possible which claims patent owner will assert
 - Identify invalidity defenses that will not be estopped (e.g., 112 defenses, prior devices/uses)
 - Identify claim constructions that will minimize tension between IPR/district court positions
 - To maximize likelihood of stay, attempt to minimize discovery in district court



IPRs During Ongoing Litigation

- Carefully consider timing of petition
 - Filing quickly can increase pressure on patent owner
 - May have to take claim construction positions before obtaining discovery on accused products, and before district court Markman proceedings
 - But filing too quickly can create challenges for petitioner
 - If IPR cannot cover all claims (e.g., too many patents or too many claims), patent owner may be able to refocus litigation on non-challenged claims
 - Petitioner also may lack insight into patent owner's responses to invalidity arguments and thus be limited in its ability to identify the best prior art

IPRs, Trade Groups, and JDGs



IPRs, Trade Groups, and Patent Risk Management Firms

- Should trade groups or patent risk management firms consider pursuing IPRs?
- Potential to share costs and to invalidate problem patents
- Could put patent owners on defensive sooner, and make it tougher for NPEs to strategize
 - Patent owners would have to take positions on scope of claims before discovery
- But could this be structured to avoid estoppel?



IPRs and JDGs

- Should defendants in related cases consider joint or parallel IPRs?
- Important to **separate** IPR issues from other JDG issues
 - IPR petition must identify all “real parties in interest” and “privies.” Estoppel will extend to these parties
 - PTO Trial Guide states that a party is not a “real party in interest” or “privy” based “solely” on participation in JDG, but that this participation **may be relevant**
 - Primary considerations appear to be control and financing
 - Plaintiff firms are focusing on this issue and are seeking discovery on JDG communications
 - If you do not want to participate in an IPR, you should avoid any communications with the petitioner about the IPR



IPRs and JDGs

- Upsides to joining an IPR or filing a parallel one
 - More cost effective
 - If accused products are different, provides opportunity to oppose amendments that would capture your product but not the co-defendant's
 - If asserted claims are different, provides opportunity to ensure that claims asserted against you are covered
 - Increases likelihood of staying litigation
- Downsides to joining an IPR
 - Estoppel for all defendants is a major downside
 - Although jury is not likely to find patent invalid based on same prior art raised in IPR, defendants who do not participate in IPR may have a solid invalidity case based on other prior art



Concluding Thoughts

- Post-grant proceedings provide significant promise for eliminating problem patents
- Strategic thinking and management is critical:
 - Carefully weigh upsides and downsides of initiating proceeding
 - Consider timing of filing to maximize pressure on patent owner
 - Manage proceedings to ensure back-up plan if some or all of the claims survive
 - Monitor collective activities through trade groups or JDGs to minimize risk of estoppel



Questions?

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