PTO Trials: What Have We Learned?

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“PTO Trials”

• Leahy-Smith America Invents Act (AIA) expands PTO’s ability to address patent validity & enforcement with
  • “PTO Trials”
    • “Post-Grant Proceedings”
    • “Administrative Trials”
  • Trials became available in September 2012
PTO Trials—Types

- *Inter Partes* Review (IPR)
  - Available since September 2012
  - 37 CFR §§ 42.100-123

- Post-Grant Review (PGR)
  - Applicable only to patents filed March 2013 or later, so effectively available 2014+
  - 37 CFR §§ 42.200-224

- Transitional Program for Covered Business Method Patents (CBM)
  - Available since September 2012
  - 37 CFR §§ 42.300-304
PTO Trials—Goals

White House Press Release (September 16, 2011):

“[The AIA] will give a boost to American companies and inventors who have suffered costly delays and unnecessary litigation, and let them focus instead on innovation and job creation. . . . The Patent and Trademark Office will offer entrepreneurs new ways to avoid litigation regarding patent validity, at costs significantly less expensive than going to court.”
USPTO Deputy Director Rea (May 15, 2012):

“To best serve the applicant community, Congress directed the Agency in the America Invents Act to implement more efficient and timely alternatives to litigation.

* * *

We envision reaping the benefits of a straightforward trial proceeding, implemented by experienced judges, resulting in a fair and efficient proceeding.”
Alternative to Litigation

- Top “Districts” for Patent Litigation

<table>
<thead>
<tr>
<th>District</th>
<th>Filings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern District of Texas</td>
<td>1266</td>
</tr>
<tr>
<td>District of Delaware</td>
<td>995</td>
</tr>
<tr>
<td>PTAB</td>
<td>517</td>
</tr>
<tr>
<td>Central District of California</td>
<td>514</td>
</tr>
<tr>
<td>Northern District of California</td>
<td>260</td>
</tr>
</tbody>
</table>

Source: AIA 2nd Anniversary Forum, USPTO, 09/16/13
Statistics

Inter Partes Review
Cumulative as of 9/35/2013 = 522

Month Submitted
- SEP
- AUG
- JUL
- JUN
- MAY
- APR
- MAR
- FEB
- JAN
- DEC
- NOV
- OCT
- SEP

Received Each Month

Covered Business Methods
Cumulative as of 9/27/2013 = 56

Month Submitted
- SEP
- JUL
- MAY
- MAR
- JAN
- NOV
- SEP

Submitted Each Month

Source: http://www.uspto.gov/aia_implementation/statistics.jsp
### Statistics (Cont’d)

<table>
<thead>
<tr>
<th></th>
<th>IPR</th>
<th>CBM</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Petitions</td>
<td>810</td>
<td>108</td>
</tr>
<tr>
<td>No. of Grants</td>
<td>258 of 324 (80%)</td>
<td>28 of 33 (85%)</td>
</tr>
<tr>
<td>No. of Final Decisions</td>
<td>11</td>
<td>3</td>
</tr>
<tr>
<td>No. of Settlements</td>
<td>69</td>
<td>7</td>
</tr>
</tbody>
</table>

Source: PTO, *Patent Trial and Appeal Board Statistics* (1/9/14)
## Statistics (Cont’d)

<table>
<thead>
<tr>
<th>Technology</th>
<th>No. of Petitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electrical/Computer</td>
<td>655 (71%)</td>
</tr>
<tr>
<td>Mechanical</td>
<td>143 (15.5%)</td>
</tr>
<tr>
<td>Chemical</td>
<td>70 (7.6%)</td>
</tr>
<tr>
<td>Bio/Pharma</td>
<td>48 (5.2%)</td>
</tr>
<tr>
<td>Design</td>
<td>6 (0.7%)</td>
</tr>
</tbody>
</table>

Source: PTO, Patent Trial and Appeal Board Statistics (1/9/14)
Inter Partes Review

• Effective September 2012

• Any patent

• Can be brought by any person who is not the patent owner (i) 9 months after issue date or (ii) after any post-grant review has been terminated

• But petitioner cannot file petition more than one year after receiving service of infringement complaint
  • Also barred if petitioner filed DJ action

• Based on prior art patent or printed publications
Inter Partes Review (Cont’d)

• Threshold:
  • Reasonably likely that petitioner will prevail as to at least one claim challenged in petition, after considering petition and preliminary response

• Conducted before PTAB

• Appeal directly to Federal Circuit

• Estoppel on any ground raised or that reasonably could have been raised
Post-Grant Review

• Applies to patents with an effective filing date of March 2013 or later (First-Inventor-to-File system)

• Can be brought by any person who is not the patent owner within nine months of patent or broadening reissue patent issue date

• Any grounds under 35 U.S.C.§282(b)(2),(3) (re invalidity of patent or any claim) available
  • Validity issues under 35 U.S.C.§101, 102, 103, 112 and 251 (for reissue patent)
  • But not obviousness-type double patenting or enforceability issues
Post-Grant Review (Cont’d)

• Threshold:
  • More likely than not that at least one claim challenged in petition is unpatentable, or
  • Petition raises novel or unsettled legal question that is important to other patents or patent applications
  • After considering petition and preliminary response
  • Preponderance of evidence standard

• Conducted before PTAB

• Appeal to Federal Circuit

• Estoppel on any ground raised or that reasonably could have been raised
Covered Business Method

• Post-grant review proceeding for covered business method patents

• “Covered business method patent” refers to:
  • “A patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological innovations.”

• Requires petitioner to be sued for, or charged with, infringement of covered business method patent
Covered Business Method (Cont’d)

• Any grounds under 35 U.S.C. §282(b)(2),(3) (re invalidity of patent or any claim) available
  • Validity issues under 35 U.S.C. §101, 102, 103, 112 and 251 (for reissue patent)
  • But not obviousness-type double patenting or enforceability issues

• Available for any patent
  • Sunset provision in September 2020

• No nine-month limit

• Estoppel:
  • Before PTO: any ground raised or that reasonably could have been raised
  • Before court: any ground raised
<table>
<thead>
<tr>
<th>Proceeding</th>
<th>Use</th>
<th>Availability</th>
<th>Threshold</th>
<th>Estoppel (District Court)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inter Partes Review</td>
<td>Third party to challenge validity based on patents or printed publications</td>
<td>9/2012</td>
<td>Reasonable likelihood to prevail</td>
<td>Any ground raised or that reasonably could have been raised</td>
</tr>
<tr>
<td>Post-Grant Review</td>
<td>Third party to challenge validity based on broad grounds</td>
<td>Patents filed 3/2013 or later</td>
<td>More likely than not that claim(s) are unpatentable</td>
<td>Any ground raised or that reasonably could have been raised</td>
</tr>
<tr>
<td>Covered Business Method</td>
<td>Third party to challenge validity based on prior art</td>
<td>9/2012 – 9/2020</td>
<td>More likely than not that claim(s) are unpatentable</td>
<td>Any ground raised</td>
</tr>
</tbody>
</table>
Efficient?

- Statutory requirements
  - Length of instituted proceeding: 18-month maximum

- Streamlined process in view of statutory requirements
  - Page limits
  - Limits on substitute claims
  - Limited discovery
  - Oral hearing at the end (no litigation trial)
Timeline

- Timeline meets statutory 12-month requirement
- Overall “petition to decision”: no more than 18 months
- Compare to *inter partes* reexamination: average of ~36-39 months
- Compare to litigation: ~18-24 months to get to trial
Timeline: Petition

- 60-page limit (IPR), 80-page limit (PGR/CBM)
- 14-point font
- Double-spaced
### Timeline: Owner Response

- Owner may waive
- Strategic implications
  - Of 174 decisions (October 2013) to grant/deny trial, 34 patent owners did not file a response

<table>
<thead>
<tr>
<th>Case</th>
<th>Trial Granted</th>
<th>Proposed Grounds</th>
</tr>
</thead>
<tbody>
<tr>
<td>PO Response Filed</td>
<td>85%</td>
<td>33%</td>
</tr>
<tr>
<td>PO Response Not Filed</td>
<td>94%</td>
<td>31%</td>
</tr>
</tbody>
</table>

Source: "Post-Grant Proceedings: The Year Behind and the Year Ahead," Law360, 10/01/13
Timeline: Decision on Petition

- Board indicates grounds (and specific claims) for trial—akin to interference procedures
## Decision on Petition—Statistics

<table>
<thead>
<tr>
<th></th>
<th>IPR</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Petition Granted</td>
<td>91%</td>
</tr>
<tr>
<td>% Grounds Raised</td>
<td>47%</td>
</tr>
<tr>
<td>% Claims Challenged</td>
<td>87%</td>
</tr>
</tbody>
</table>

Source: “A Look At 1st Year Stats on Inter Partes Review,” Law360, 10/15/13
Timeline: Owner Respond/Amend

• Initial conference call (one month)
• Response to the petition
• Motion to amend the claims
Timeline: Petitioner Reply/Oppose

- Petitioner replies to owner’s response
- Petitioner opposes owner’s motion to amend claims
Timeline: Reply to Opposition

- Owner reply to the opposition
• Oral Hearing akin to Interferences
Timeline: Final Decision

- Estoppel
Expertise

• From USPTO Job Posting:
  Qualifications
  Experience must have been at a sufficiently high level of difficulty to clearly show that the candidate possesses the required professional and technical qualifications to litigate and/or prosecute issues and to draft decisions directed to patentability.
  * * *

  Proof of successful completion of a full four-year course of study in an accredited college or university leading to a bachelor’s or higher degree in the study of engineering, chemistry or biology.
  * * *
Expertise (Cont’d)

Qualifications Continued

Proof of successful completion of a law degree (minimum: J.D. or equivalent) and bar registration.

* * *

Demonstration of recent, extensive and comprehensive experience with the following:
1. Evaluating combined Intellectual Property (IP) assets and providing legal advice.
2. Formulating ideas and communicating them effectively to various stakeholders via clear, logically-developed opinions and decisions regarding patentability.
3. Effectively working with others.
4. Conducting and managing patent prosecution, examination or administration which demonstrates a thorough knowledge and application of patent laws and rules of practice.
Expertise (Cont’d)

• 170 Judges as of August 2013
  • 1,700 Applicants
  • 300 Interviews
  • 90 Judges Selected

• Background
  • USPTO Patent Examining Corps
  • Office of the General Counsel
  • PTAB
  • ITC
  • DOJ
  • Private Practice

Source: AIA 2nd Anniversary Forum, USPTO, 09/16/13
Expertise (Cont’d)

- 1st IPR Decision—Garmin Int’l v. Cuozzo Speed, Tech. (Case IPR2012-00001)
  - Claim construction: inventor’s construction not supported by specification
  - Swearing behind prior art: inventor’s evidence insufficient
  - Obviousness: all challenged claims obvious
    - Three reference combination
    - Four reference combination

- MPEP § 2145.V

  Reliance on a large number of references in a rejection does not, without more, weigh against the obviousness of the claimed invention.
Alternative to Litigation

- Efficiency
- Expertise
- Claim construction
  - “Broadest reasonable claim construction” may allow for more prior art
- No presumption of validity
- Proof by “Preponderance of the evidence”
  - “Clear and convincing evidence” in litigation
- Postpones infringement determination
Alternative to Litigation (Cont’d)

• Motions to stay in concurrent litigation
  • 66% success rate with motions to stay*
    • Expect this number to go up
    • Some courts have granted stays before trial is initiated
  • CBM Petitioner has immediate interlocutory appeal from decision denying stay

*Source: “A Look At 1st Year Stats on Inter Partes Review,” Law360, 10/15/13
Concurrent Litigation

- Approximately 81% of PTO trials filed against patents already in suit*

- **Fresenius USA v. Baxter Inter’l** (Fed. Cir. 2013)
  - Baxter awarded damages in district court (2007)
  - Fresenius appealed; Fed. Cir. Affirmed in part and remanded (2009)
  - District Court awarded Baxter $23M (2012)
  - Fresenius again appealed (2012)
  - Meanwhile . . .
    - Fresenius had filed an *ex parte* reexamination (2005)
    - All relevant claims invalid and Fed. Cir. upheld (2012)
  - Back to the $23M
    - Vacated, patent invalid and award not finalized

- PTO trials have direct appeal to Federal Circuit

*Source: “A Look At 1st Year Stats on Inter Partes Review,” Law360, 10/15/13*
Best Practices—Petition

• Petition
  • Limit number of grounds of rejection
  • Better to provide detailed analysis for limited number of challenges, rather than little analysis for a large number of challenges
  • Sound legal analysis
  • Use an expert
    • Tutorials are helpful
    • Testimony without underlying facts is entitled to little or no weight
  • Citations to evidentiary record
  • Invalidity charts
    • Charts must be explained
    • Pinpoint references to supporting evidence
  • Claim construction supported by record
Best Practices—Response

• Patent Owner Response
  • Similar considerations as petition
  • Higher number of favorable decisions when patent owner filed a response
    • Of 174 decisions to grant trial through October, 34 did not have patent owner response*
      • With patent owner response—85% granted
      • Without patent owner response—94% granted
  • Failure to review all claims may undermine the value to the Petitioner

*Source: “Post-Grant Proceedings: The Year Behind and the Year Ahead,” Law360, 10/01/13
Best Practices—Discovery

- Limited automatic discovery
  - Deposition of declarants
  - Disclosure of documents referred to in papers
  - Disclosure of “relevant information that is inconsistent with a position advanced by the party during the proceeding”
- Additional discovery at discretion of APJ
  - High bar
- CAFC model e-discovery rules
Best Practices—Discovery

- Discovery
  - Specific request
  - Sufficient showing of relevance
  - Five-factor test for additional discovery (Garmin v. Cuozzo)
    - More than a possibility and mere allegation that something useful might be found
    - Is the request merely seeking early identification of opponent’s litigation position?
    - Can party requesting discovery generate the information?
    - Interrogatory questions must be clear
    - Are requests overly burdensome to answer?

*Source: “Post-Grant Proceedings: The Year Behind and the Year Ahead,” Law360, 10/01/13
Best Practices—Team

• PTO Trial Team
  • Mix of patent and litigation experience
  • Overall strategy
    • PTO Trial Team should overlap, or work closely with, Litigation Team
Practical Effects

- **Patent owner:**
  - IP Portfolio subject to additional challenge
  - PTAB examination thorough
  - Must be prepared to justify costs

- **Petitioner:**
  - More diligent monitoring of competitor IP
  - More choices for challenging patents
  - Venue choice depends on case-specific considerations
PTO Trials—Filing Considerations

• Patent Owner
• Number of patents & claims at issue
• Highly complicated technology
• Highly complicated invalidity theory
• Previously cited prior art
• Strength of noninfringement positions
• If Litigation:
  • Litigation venue
  • Stage of litigation
  • Desire to stay or avoid litigation
• Settlement chances
• Paying now (versus later)
Questions?

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