



COUNSEL TO GREAT COMPANIES

Association of Corporate Counsel – San Diego Chapter

Patent Attacks:

District Courts, ITC, and PTAB Litigation

Matt Bernstein, Kevin Patariu, & Jim Coughlan

September 10, 2019

A Century of Perkins Coie Since 1912

- Perkins Coie is a full-service law firm serving technology companies in all legal areas.
- We help our clients build and grow technology companies. In 1916, Perkins Coie helped Mr. William Boeing incorporate his new company, *The Boeing Company*. Today, Boeing remains one of the largest clients of Perkins Coie.
- Bill Alan of Perkins Coie joined and led Boeing from 1948 to 1972. Recognized by Fortune Magazine in 2003 as No. 2 in an list of "The 10 Greatest CEOs of All Time"



Where We Are

Perkins Coie has 16 offices in the United States and a strong footprint in Asia. We assist clients anywhere and everywhere they do business.

PERKINS COIE OFFICE LOCATIONS



*Shenzhen IP Office Opening Fall 2019

Building Lasting Relationships

Perkins Coie is known for our strong commitments to clients as well as our longstanding relationships. **The average tenure of our clients is 36 years.**

Counsel to Great Companies



- **Boeing**
- *Relationship began by filing their first papers of incorporation in 1916.*



- **Microsoft**
- *"Among the three or four most important outside law firms that Microsoft relies on."*



- **Amazon.com**
- *Relationship began before Perkins Coie took them public in 1997.*

Who We Are

1,100+

Attorneys

139

*Chambers USA
Ranked Attorneys*

100+

*Years of
Experience*

120+

Patent Litigators

38

*Chambers USA
Band 1 Ranked
Attorneys*

22

*Chambers USA
Band 1 Ranked
Practices*

19

Offices

18th

*Largest Law Firm
in the U.S.
(by attorney headcount)*

Patent Litigation

225+

Attorneys Focused
on Patent Law

120+

Patent Litigators

135+

USPTO
Registered
Attorneys and
Patent Agents

85+

Patent Attorneys
with EE and
Physics Degrees

250+

Patent Litigations
Represented
(Past 2 Years)

340+

IPR, CBM, PGR
Representations

50+

Attorneys with
Significant ITC
Experience

50+

Representations at
ITC (with 8 trials, 4
appeals) in
the Past 8 Years

Patent Litigation



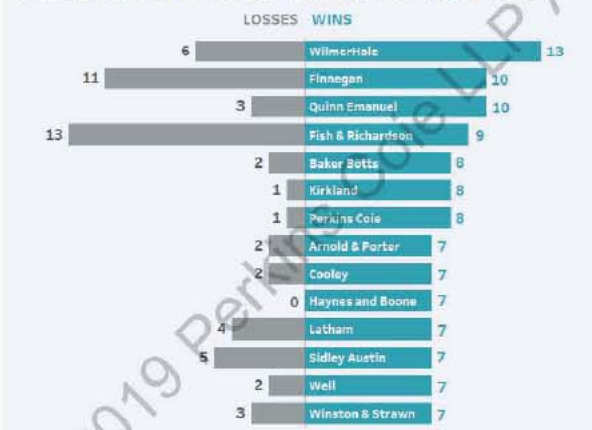
Docket Navigator ranked Perkins Coie fourth among national firms handling patent defense cases in 2018.

Patent Litigation



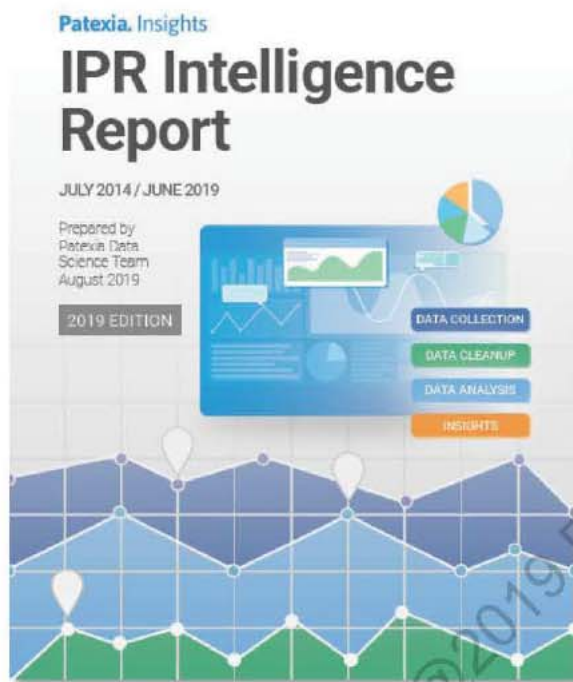
- Recognized as one of the “**Firms that Dominated the Federal Circuit**” **three years in a row**
- **3rd Best Win Record (tied) in 2017**

The Firms That Dominated The Fed. Circ. In 2017



- Number one for win percentage (85 percent) and third in total victories in 2018

Post Grant Practice



7th Overall Most Active Law Firm in IPR

9th Most Active Law Firm in IPR representing petitioners

16th Most Active Law Firm in IPR representing patent owners

COUNSEL TO GREAT COMPANIES

Why / Why Not?

District Court v. ITC v. PTAB

- **Why District Court?**

- \$\$ damages . . .
 - \$Millions or \$Billions; at least a reasonable royalty
 - Enhanced damages; up to 3X
- Forum shopping (E.D. Tex., D.Del., W.D. Tex.)
 - N.D. Cal. for accused infringers
 - Limited by *TC Heartland*
- All claims and defenses available, and juries decide most of them
- Hard to get rid of the case early on

- **Why NOT District Court?**

- Typically slower (much) than ITC and PTAB (Case could be stayed pending IPR results)
- Injunctions hard to get post-*eBay*
- Invalidity burden of proof (clear and convincing evidence) higher than PTAB
- Expensive
- Most judges are not technically trained

District Court v. ITC v. PTAB

- **Why ITC?**

- Injunction (exclusion order) is automatic (leverage to obtain financial settlement)
- Fast to trial
- Tremendous pressure on respondent
- Limited # of judges making decisions—predictability

- **Why NOT ITC?**

- No damages or enhanced damages
- Costs incurred over a shorter time (expensive)
- Must prove economic and technical domestic industry to bring suit
- Invalidity burden of proof (clear and convincing evidence) higher than PTAB
- Some judges are not technically trained

District Court v. ITC v. PTAB

- **Why PTAB?**
 - Easiest (by far) place to invalidate a patent
 - Preponderance of evidence burden of proof
 - Fast: 6 months to institution; 1 year after that for final written decision
 - Technically trained judges who understand the technology and patent law
- **Why NOT PTAB?**
 - No damages and no injunctions
 - Limited invalidity grounds
 - 102/103 printed prior art in IPRs
 - No appellate review of non-institution decisions
 - Estoppel in district court if goes to final written decision

COUNSEL TO GREAT COMPANIES

Avoiding Mistakes in District Court Litigation

Learning from Our Mistakes

“Learn from the mistakes of others. You can’t live long enough to make them all yourself.”

--Eleanor Roosevelt





#1: Communication

Communicate with Outside Counsel

- Mistake: Not keeping each other current
- Mistake: Assumptions in knowledge (of client or outside counsel)
- Mistake: Not getting a full case litigation plan from counsel
- Mistake: Not having a negotiation strategy
- **Mistake—even bigger:** Not communicating expectations
- **Mistake—even bigger:** Not communicating the entire story (withholding bad facts)
 - Not hiring counsel who will tell you what you **need** to hear, not just what you **want** to hear

Internal Communication

- Mistake: Not maintaining privilege of internal communications (if you can)
- Mistake: Not being on the exact same page with management (regarding goals, impact on company and executives, potential exposures, etc.)
- Mistake: Just explaining likely, but also all possible outcomes to management
- Mistake: Not keeping management appraised of changed circumstances



#2: Patents for Patents Sake?

Patents Just for the Sake of Having Patents?

- Acquiring U.S. patents—That's great!!
- But: Acquiring patents are expensive; paying maintenance fees on those patents are also expensive—What's the answer to management's question: Why are we paying so much for these patents? What's the return on investment?
- Patents for valuation purposes
- Core patents for defensive and competitive purposes
- But what about the other dozens / hundreds of non-core patents?
 - Monetize through sale, licensing, assertion?



#3: Patentee Pre-Filing Mistakes

Checking All the Boxes before Suing

- Mistakes before filing suit decrease your chance of success and increase your costs
- Mistake: “Shaky” management buy-in, or legal team and management team do not have the same goals
- Mistake: Not doing your homework on the litigation practices of the target defendants and their usual counsel
- Mistake: Not selecting the correct defendant(s) for achieving your goals
- Mistake: Not picking the best location to file suit
- Mistake: Not retaining experts early
- Mistake: Not thoroughly vetting all claims and possible defenses

Checking All the Boxes before Suing

- **Mistakes in patent selection:**
 - Not selecting a large enough, and diverse enough set of patents to avoid realistic IPR defeat
 - Selecting patents subject to easy 101 / *Alice* challenge
 - Not studying the file history for inequitable conduct / bad theme issues
 - Not investigating the ease of 102/103 invalidity
 - Choosing only patents that are difficult to prove infringement
 - Selecting only patents that are easy to design-around

Checking All the Boxes before Suing

- **Mistakes in patent selection continued:**
 - Not checking title and selecting patents with joint ownership issues
 - Picking patents with inventor issues
 - Does the inventor still work at the company? If not, is he/she friendly to the company?
 - Will the inventor be a good witness?
 - Inventor have good records?
 - Patents with no invention records?
 - Home grown v. purchased patent selection issues
 - **Mistake: not having the ability to revise patent claims through the amendment process**



#4: Mistakes When You Get Sued

. . . So You Got Sued . . .

- Mistake: Panicking and/or making rash decisions
- Mistake: Not researching the patent, plaintiff, opposing counsel, court/judge
 - Including litigation and PTO history of each
- Mistake: Thinking “we don’t do that” or “this patent is clearly invalid” gets rid of a case
 - What can you show? What are you willing to show?
 - Small sales is typically more persuasive early on than the merits
- Mistake: Not getting a # from the other side early on (usually)
- Mistake: Waiting too long to select counsel if you don’t have experience with patent litigation
- Mistake: Not getting as long an extension to respond to the complaint as possible



#5: Managing Employees

Notice / Email Mistakes

- Mistake: Not having a policy in place to make sure employees act appropriately when receiving notice of a patent or lawsuit
- Mistake: Not having a policy regarding communications related to ongoing litigation
- Mistake: Having a document retention policy . . . and then not following it
- Mistake: Not marking emails as privileged (if you can)

Managing Sales and Marketing Employees

- **Mistake: Not understanding that things your employees say in the market, to customers, or to potential customers are discoverable in litigation**
 - Potentially very damaging
- **Mistake: Not providing your sales and marketing teams with specific instructions on what they can and cannot say about the lawsuit**
 - And to whom they should direct questions about the litigation
- **Mistake: Creating “WOW” documents for insignificant features**



#6: Lit Holds / Doc Collection and Production

Litigation Holds & Document Collection / Production

- **Mistake: Delaying implementing litigation holds**
 - Plaintiff before suit; Defendant when threatened
- **Mistake: Leaving key witnesses and executives off the hold**
 - Inventors, prosecution counsel, developers, sales, marketing
- **Mistake: Assuming texts, WhatsApp, Lines, WeChats, IMs, etc. are not discoverable**
- **Mistake: Not routinely updating the hold**
- **Mistake: Not preserving enterprise data in addition to custodian data**
- **Mistake: Not dealing with employees who leave the company during litigation**
- **Mistake: No explaining obligations to employees in other locations**

Litigation Holds & Document Collection / Production

- Mistake: Not being thorough in collection
- Mistake: Not collecting documents from relevant senior personnel (or executives) because you do not want to “bother” them
- Mistake: Not being on the same page with the other side regarding documents actually requested and format for production
- Mistake: Poor timing of your collections and productions
- Mistake: Inefficient document and privilege review before production



#7: Dealing with Facts

Dealing with Facts: When to Investigate & Dealing with “Bad” Facts

- **Mistake: Not investigating the facts—really investigating them—early on**
 - Thinking “this case will go away” or “no need to do anything now . . .”
- **Mistake: Not providing outside counsel access to witnesses and potential witnesses**
- **Mistake: Not reasonably assessing the strengths and weaknesses of the facts, and what is needed to fill in factual holes—and continuing to do this**

Dealing with Facts: When to Investigate & Dealing with “Bad” Facts



- **Mistake: Concluding a fact is “bad” without discussing with counsel**
- **Mistake: “Burying your head in the sand” with bad facts**
- **Mistake: Thinking the case is lost because there are “bad” facts**



A LOOK *at the* **BUDGET**

#8: Budgets

Budgets

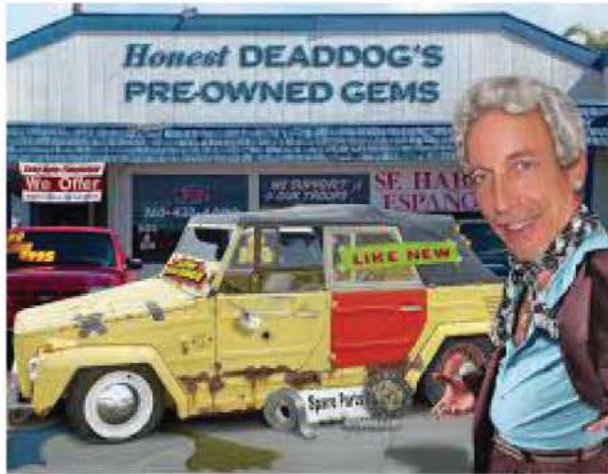
- Mistake: Not having a frank and honest conversation about the financials of the case with your counsel
- Mistake: Not asking for something related to budget from outside counsel (e.g., alternative fee arrangement, success fees, etc.)
- Mistake: Not insisting on regular budget updates
- Mistake: Not recognizing there are unexpected events in many litigations that increase or decrease budgets / estimated fees and costs



#9: Playing Games

Playing Games . . .

- **General rule:** If you play games, you will eventually lose—probably badly
- **Mistake:** Always being aggressive and tough on every single issue, no matter what, whether you are right or wrong, throughout the entire case
- **Mistake:** Making the other side go to the court to get documents they are entitled to
- **Mistake:** Not preparing your witnesses / failing in your 30(b)(6) obligations
- **Mistake:** Having your witness, especially 30(b)(6) witness, say “I don’t know” to every question at deposition
- **Mistake:** Making promises (or threats) and then not following through with action
- **Big Mistake:** Losing credibility with the court (or jury)



#10: Witness Issues

Witness Selection and Retention

- Mistake: Not identifying a strong “face” witness early on
- Mistake: Not identifying your witnesses and potential third party witnesses early on
- Mistake: Avoiding good witnesses because they do not want to be bothered or are “too busy”
- Mistake: Witness selection not tied to available documents
- Mistake: Overlooking former employees
- Mistake: Not being flexible in changing witnesses
- Mistake: Expert selection and retention issues

**The Jury has
Reached A
Verdict**

#11: Trial

Trial

- Mistake: Not starting trial preparation early enough
- Mistake: Having too small a trial team (or too big a team)
- Mistake: Not selecting the best positions to present at trial—not limiting to the very best
- Mistake: Not preparing your witness . . . again . . . and again . . . and again
- Mistake: Not being organized in the courtroom
- Mistake: Not being likeable and presentable in front of the jury
- Mistake: Not having a “chain of command”
- Mistake: Entire trial team not “rowing” together

COUNSEL TO GREAT COMPANIES

ITC Litigation: Everything You Need to Know . . . in a Few Minutes

ITC Litigation

Summary

- Background
- Common Mistakes
- Advantages
- Risks
- Litigation Strategies
- Trends
- Statistics

Basic ITC Terminology

- The party initiating the action is the “complainant.”
- Accused infringer is the “respondent.”
- Action referred to as an “investigation.”
- Third party “staff attorney” may be assigned

Standing Requirements

- Ownership of a U.S. IP right;
- Importation of the accused product; and
- Domestic industry exists/in the process of being established.

Speed of the Proceedings

- Investigations must be completed “at the earliest practicable time.”
- Parties and ALJ must “make every effort at each stage of the investigation or related proceeding to avoid delay.”
- To avoid delay, ITC will set a target date for completion of the investigation

ITC Target Dates

- The ITC must issue its final decision on or before the target date
- The target date is usually 12-16 months after institution, but can be extended
- Target dates are currently averaging about 15-16 months
- Target dates can be modified by the ITC for good cause

Institution of an Investigation

- After complaint filed, the ITC has 30 days to review it.
- Investigation instituted if complaint contains all the required elements.
- Institution occurs when notice is published in the Federal Register.
- There are several defensive options available for respondents during the 30 day period.

The Evidentiary Hearing

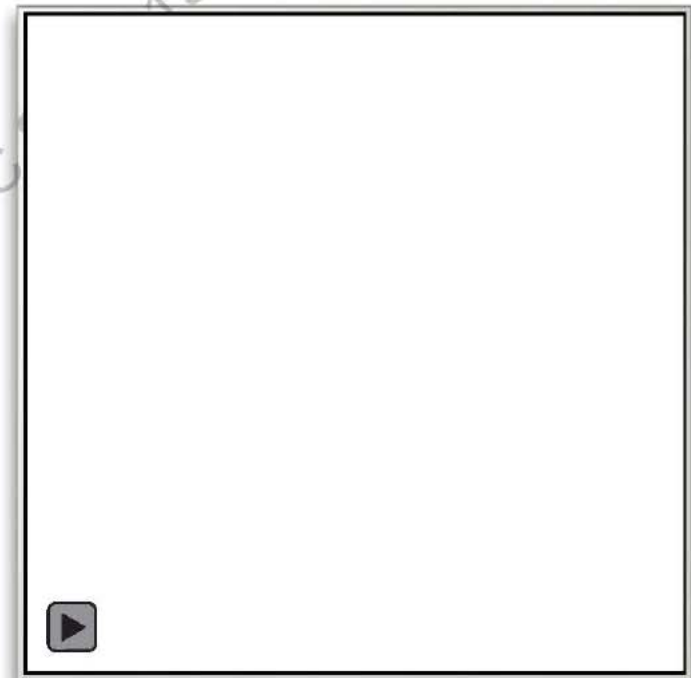
- Conducted at the ITC building in Washington D.C.
- Typically lasts 1-2 weeks
- Usually occurs 6 or 8 months after institution
- Presided over by an ALJ experienced in I.P. disputes and complex technology.
- Often no Markman hearing

The ITC's Final Determination

- ALJ final initial determination ("Final ID") due 4 months before the target date
- The Final ID reviewed by the 6 ITC Commissioners with advice from the Office of the General Counsel
- The Commissioners can adopt, modify, or reverse the Final ID
- ITC final decisions reviewable by CAFC.

ITC Remedies – Barring Imports

1. Cease and desist order
2. Limited exclusion order
3. General exclusion order
4. Enforced by U.S. Customs



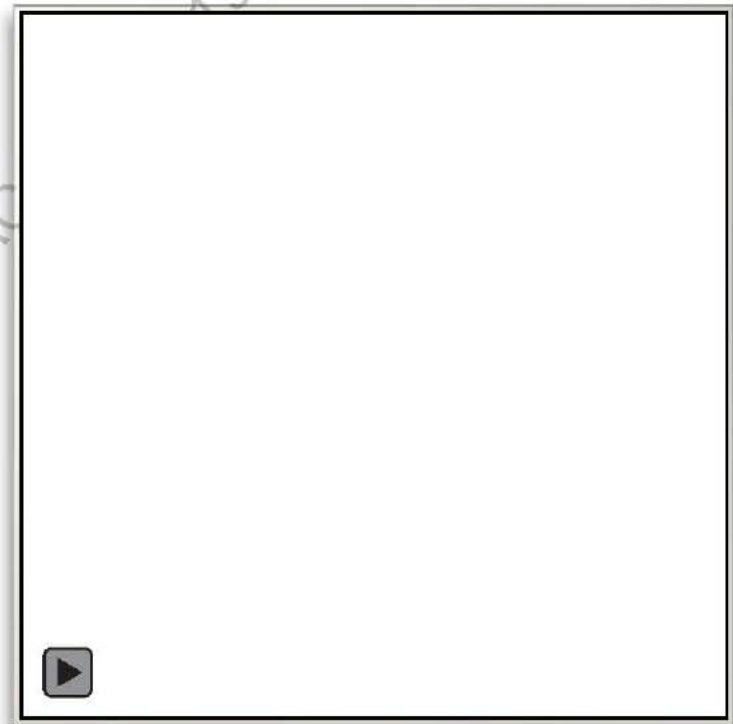
Mistake - Jurisdiction

- *In rem* jurisdiction over imported articles.
- Personal jurisdiction not necessary
- Can bring one against multiple respondents located in different jurisdictions.

Mistake: Domestic Industry –US Manufacturing Required?

Two prong analysis:

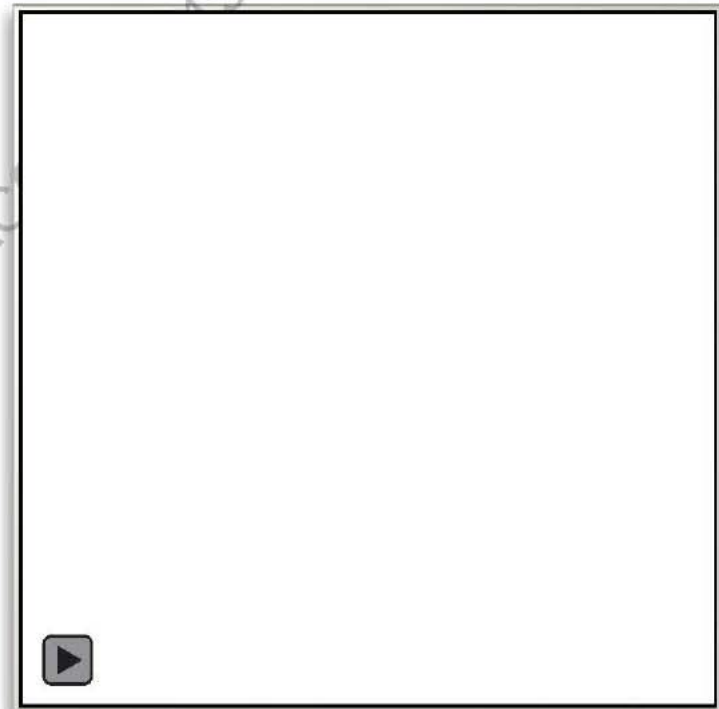
- Investments in US
- Relating to a product that practices the patent



Non-Manufacturing Activities Also Count

- **Examples:**

- Warehousing
- customer support and service
- quality control
- product repair
- product testing
- R&D relating to the ***covered article***



Mistake: Forget to Rely Licensee Activities

- Domestic industry based on licensing activities initially created to give research universities access to the ITC
- NPEs (Trolls) will establish a domestic industry based on licensing activity
- Must still be a product covered by the asserted I.P. right

Mistake: Drafting the Complaint

- More information than a district court complaint
- Plead all the elements of an unfair trade claim
- “Fact pleading” requirement rather than “notice” pleading
- Bottom Line: It takes time to prepare and you are stuck with whatever you state

Mistake: Unprepared for ITC Discovery

- ITC rules place minimal limits discovery (number of discovery requests, interrogatories, or RFA's)
- Discovery responses are due 10 days after service.
- Unprepared parties can get involved in discovery fights resulting in large fees and wasted time distracts from focusing on winning the case

ITC Litigation Review

Advantages:

- Fast
- Proceedings not stayed by IPRs
- Injunctive relief automatic
- Can name multiple parties, accused products
- Personal jurisdiction not required

ITC Litigation Review

Risks

- Speed can be problematic if patent owner is unprepared
- Must establish a “domestic industry”
- Accused products must be imported
- No jury trials
- Monetary damages not available (but injunctive relief can be used to leverage larger settlements)

Common ITC Litigation Strategies

- Sue multiple parties in one ITC action to reduce costs
- Utilize speed of the forum against unprepared infringers
- Leverage threat of injunctive relief to obtain settlements larger than a district court damage award
- Obtain a general exclusion order
- In case of difficulties, withdraw the ITC complaint and start over with new litigation in district court

Trends: Trolls and Foreign Companies

- Foreign companies becoming more multinational and able to satisfy the domestic industry requirement (plus U.S. companies moving their manufacturing abroad)
- More foreign companies utilizing R&D and engineering operations in the U.S.
- Trolls are relying on licensees for a domestic industry
- Parties filing at the ITC to avoid IPR stays and venue issues after *TC Heartland*

Comparison of Tribunals

ITC

- Can adjudicate Patent, Design Patent, Trademark, Copyright, Trade Secret claims
- Injunctive relief only

District Court

- Can adjudicate Patent, Design Patent, Trademark, Copyright, Trade Secret
- Damages are the primary relief, injunctive relief difficult to obtain

On-line sales platforms

- Copyright, trademark, counterfeit goods
- Not really adjudication on the merits
- Relief is de-listing of items for sale, ban infringer from platform

ITC Statistics

Statistics updated in July 2019

Statistics

Range of Number of Patents Asserted in New Section 337 Investigations by Number and Percentage of Investigations Filed (Updated Annually)

Fiscal year	1-2 patents	3-4 patents	5-6 patents	7-8 patents	9 or more Patent
2009	15 (57%)	8 (27%)	1 (4%)	5 (8%)	1 (4%)
2010	21 (41%)	15 (29%)	10 (20%)	2 (4%)	3 (6%)
2011	19 (28%)	20 (29%)	16 (24%)	10 (15%)	3 (4%)
2012	17 (38%)	14 (31%)	8 (18%)	4 (9%)	2 (4%)
2013	16 (44%)	7 (19%)	5 (14%)	6 (17%)	2 (6%)
2014	17 (47%)	12 (33%)	6 (17%)		1 (3%)
2015	11 (32%)	9 (27%)	10 (29%)	4 (12%)	
2016	20 (41%)	15 (31%)	10 (20%)	2 (4%)	2 (4%)
2017	13 (27%)	17 (35%)	16 (34%)	2 (4%)	0 (0%)
2018	25 (45%)	17 (30%)	12 (21%)	2 (4%)	0 (0%)

Source: USITC, 337info.

NOTE: Percentage represents the percent of investigations that had any patent claims asserted.

Statistics

Types of Unfair Acts Alleged in Active Investigations by Fiscal Year (Updated Annually)

Fiscal Year	Solely Patent Infringement	Solely Trademark Infringement	Solely Trade Secret Misappropriation	Patent, Trademark or Copyright Infringement, Trade Secret Misappropriation, and/or Other Unfair Acts	Copyright Infringement, Trade Secret Misappropriation, Unfair Competition, False Advertising and/or Other Unfair Acts
2006	60	4	-	6	-
2007	63	4	-	6	-
2007	79	6	1	3	-
2008	79	6	1	3	-
2009	77	3	1	2	2
2010	94	1	1	5	2
2011	126	2	-	-	1
2012	119	3	1	4	2
2013	113	2	2	3	4
2014	93	1	1	4	1
2015	71	7	1	9	-
2016	97	3	3	10	4
2017	102	1	1	8	5
2018	119	0	2	3	6

Statistics

Number of New, Completed, and Active Investigations by Fiscal Year (Updated Quarterly)

Fiscal year	New Complaints and Investigations and Ancillary Proceedings Completed	Active Investigations
2006	40	70
2007	33 ^a	73
2008	50	89
2009	37	89
2010	58	103
2011	78	129
2012	56	129
2013	52	124
2014	49 ^b	100
2015	47	88
2016	79	117
2017	64	117
2018	74	130
2019 Q3	42	111

Statistics

Types of Accused Products in New Filings by Fiscal Year (Percent of Total Cases Filed) (Updated Annually)

Product Type	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Automotive/Manufacturing/Transportation	7	5	4	4	8	11	9	11	5	11
Chemical compositions	2	0	1	2	2	2	0	3	0	0
Computer and telecommunications products	17	19	25	27	35	27	27	23	46	30
Consumer electronics products	10	12	15	18	4	6	9	4	5	3
Integrated circuits	12	14	6	16	2	5	5	1	2	0
LCD/TV	7	14	17	4	0	5	5	0	2	0
Lighting products	7	3	5	2	5	2	2	1	2	5
Memory products	7	3	5	0	2	6	0	1	3	0
Pharmaceuticals and medical devices	7	2	5	5	15	12	5	16	12	15
Printing products	5	9	4	2	0	2	6	1	3	2
Small consumer items	5	3	8	10	8	16	9	4	5	11
Other	14	16	5	10	19	6	23	35	15	23

Source: USITC, 337Info.

Statistics

Percentage of Investigations with a Given Range of Numbers of Respondents by Calendar Year (Updated Annually)

No. of respondents	CY 2009	CY 2010	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018
1-5	58	61	58	53	61	54	69	61	60	54
6-10	16	19	16	15	17	10	17	19	25	16
11-15	16	7	13	10	15	23	8	5	7	6
16-20	7	7	3	2	0	0	1	4	5	8
21-30	3	4	6	13	7	5	1	4	3	8
30-50	0	2	4	7	0	8	0	7	0	8

Source: USITC, 337Info.

Statistics

Calendar Year	Total No. of Invs. Non-NPE Invs.		Category 1 NPE	Cat. 2 NPE
5/16/2006 through 12/31/2006	15	14	1	0
2007	35	30	4	1
2008	41	34	6	1
2009	31	23	4	4
2010	56	46	6	4
2011	69	56	4	9
2012	40	27	6	7
2013	42	33	3	6
2014	39	36	0	3
2015	36	34	0	2
2016	54	49	4	1
2017	59	49	7	3
2018	50	43	6	1
2019 Q2	23	18	23	

Statistics

Average Length of Investigations by Fiscal Year, Completion Time (in Months) (Updated Quarterly)

Fiscal Year	Investigations Completed on Merits ^a	Shortest ^a	Longest ^a	Average ^a	Average for all Investigations ^c
2006	12	3.5	19.0	12.0	11.2
2007	12	8.0	23.5	16.6	12.0
2008	15	6.0	28.0	16.7	13.2
2009	16	3.5	28.5	17.9	10.4
2010	22 ^b	6.4	25.4	18.4	12.5
2011	17	5.2	24.2	13.7	9.9
2012	22	2.6	28.9	16.7	12.6
2013	21	4.3	30.1	19.7	13.3
2014	18	7.4	23.9	17.1	13.9
2015	11	5.6	21.9	15.6	11.4
2016	16	4.4	21	15.8	10.8
2017	16	3.7	27.2	15.1	10.3
2018	21	5.3	21.4	15.85	11.2
2019 Q3	15	9.4	21.8	17	13.29

COUNSEL TO GREAT COMPANIES

IPRs: Game Changing Death Squad?

IPR Key Features

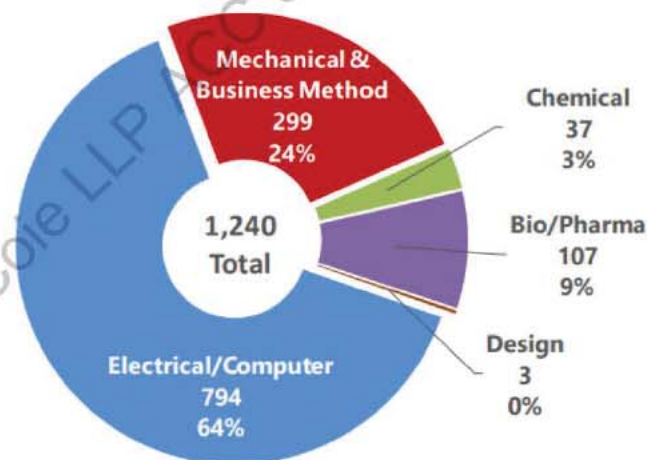
- Preponderance of evidence standard
 - Clear and convincing evidence standard in ITC and District Court
- Speed to decision (12-18 months after institution)
- Limited to patents and printed publications
- Lower cost of disposition compared to district court litigation
 - Reduced/limited discovery
- ~~BRI Claim Construction Standard~~

Trial Statistics



IPR Statistics

Petitions Filed by Technology in FY19 (FY19: Oct. 1, 2018 to Jul. 31, 2019)

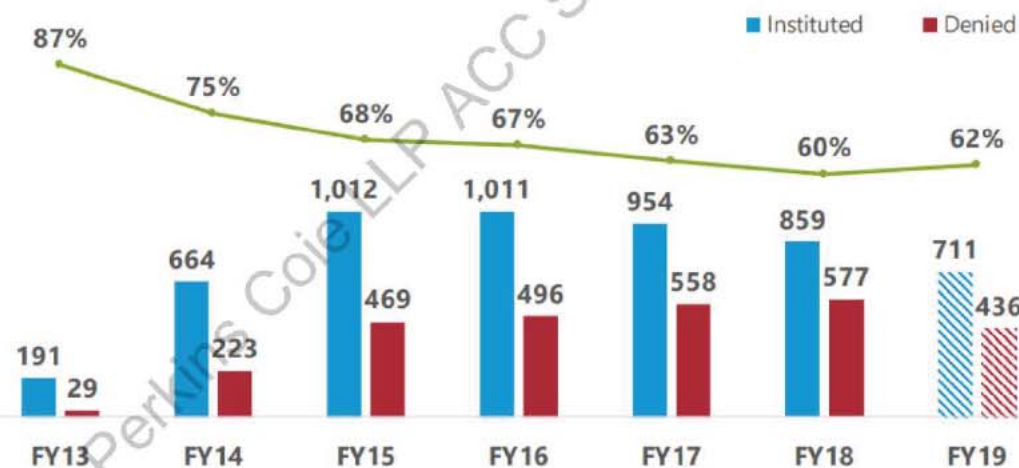


uspto

IPR Statistics

Institution Rates

(FY13 to FY19: Oct. 1, 2012 to Jul. 31, 2019)



Institution rate for each fiscal year is calculated by dividing petitions instituted by decisions on institution (i.e., petitions instituted plus petitions denied). The outcomes of decisions on institution responsive to requests for rehearing are excluded.

uspto

6

IPR Statistics

Institution Rates by Technology (All Time: Sept. 16, 2012 to Jul. 31, 2019)



Institution rate for each technology is calculated by dividing petitions instituted by decisions on institution (i.e., petitions instituted plus petitions denied). The outcomes of decisions on institution responsive to requests for rehearing are excluded.

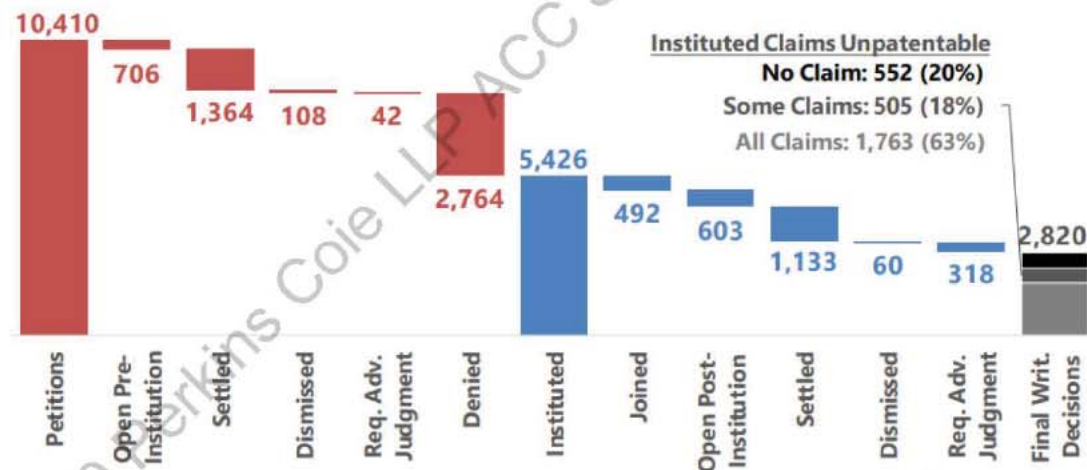
uspto

7

IPR Statistics

Status of Petitions

(All Time: Sept. 16, 2012 to Jul. 31, 2019)



These figures reflect the latest status of each petition. The outcomes of decisions on institution responsive to requests for rehearing are incorporated. Once joined to a base case, a petition remains in the Joined category regardless of subsequent outcomes.

uspto

10

Impact of PTAB Trials on Court Trials: Dismissal

- Example: court dismissed the litigation based on PTAB's cancellation of all claims
- PTAB Trial CBM2013-00005, *Bloomberg (defendant) v. Market Alerts (patent owner)*,
 - CBM petition was filed 10/15/2012
 - Litigation was stayed on 2/5/2013
 - The CBM trial was instituted under 102/103 on 3/29/2013
 - All claims were canceled by PTAB Final Written Decision dated 3/26/2014
 - No appeal to Fed. Cir. filed by the appeal deadline of 5/28/2014
 - USPTO certificate on the PTAB FWD was issued on 10/2/2014
- Delaware Court case *Markets-Alert Pty. Ltd. v. Bloomberg Finance L.P. et al.*, Civil Action No. 1:12-CV-00780-GMS.
 - 6/16/14: Defendant filed motion to dismiss based on PTAB cancellation of all claims
 - 7/10/14 Motion to dismiss granted—Market Alerts no longer has a viable cause of action

Impact of PTAB Trials on Court Trials: Stays

- Courts may stay litigation pending PTAB trials
 - This changes the traditional U.S. patent litigation battle scenario
 - Force the invalidity battle to go on first, then infringement battle
 - For NPE shakedown litigation, this may severely disrupt NPE's campaign against multiple targets
- Whether to stay depends on the districts, judges and circumstances in a case (e.g., timing and claim coverage of the PTAB trial)
- **Generally no stays of ITC Litigation**

Impact of PTAB Trials on ITC Proceedings

- ITC generally does not stay its investigation pending IPR
- ITC proceeding is shorter than the 18-month PTAB trial:
 - If an IPR is not filed before the ITC proceeding, the ITC will complete before the PTAB's final written decision in the IPR
- On patent invalidity based on the same printed prior art, the ITC records may be different from the PTAB records (even with the same experts)
- However, timely PTAB orders or decisions may impact certain aspects of the parallel ITC proceeding
 - an earlier filed IPR before the ITC that reaches the final written decision stage before conclusion of the ITC investigation
 - a late IPR filed after the institution of the ITC investigation

Impact of PTAB Trials on Court Trials: Estoppel

- Broad IPR/PGR Defendant/Petitioner Estoppel in Litigation
 - 35 USC 315(e)(2) bar attaches upon PTAB Final Written Decision (FWD)
 - Petitioner (or its privy/ real party in interest) cannot re-assert ***any ground that petitioner raised or reasonably could have raised*** in
 - District Court
 - ITC
- Estoppel is applied on a claim by claim basis
- A significant impact to U.S. patent litigation strategy
 - A short 18 month from filing a PTAB trial petition
- Estoppel immediately takes effect upon issuance of FWD
 - even if an appeal to Federal Circuit is pending
 - No more “all appeals are exhausted” under prior *inter partes* reexam law

IPRs as Settlement Leverage

- IPR filing is disruptive to patent owner actions, e.g., NPE campaigns
- Threat of IPR filing can be used to facilitate settlement before filing an IPR
- After the IPR filing, maintaining the IPR can continue serving as a settlement leverage

Phillips Claim Construction at the PTAB

Effective for Petitions filed on or after Nov. 10, 2018

- Not retroactive for petitions filed before Nov. 10, 2018
- 37 C.F.R. § 42.100 (b)
 - In an *inter partes* review proceeding, a claim of a patent, or a claim proposed in a motion to amend under § 42.121, shall be construed using the same claim construction standard that would be used to construe the claim in a civil action under 35 U.S.C. 282(b), including construing the claim in accordance with the ordinary and customary meaning of such claim as understood by one of ordinary skill in the art and the prosecution history pertaining to the patent. Any prior claim construction determination concerning a term of the claim in a civil action, or a proceeding before the International Trade Commission, that is timely made of record in the *inter partes* review proceeding will be considered.
 - ~~(b) A claim in an unexpired patent that will not expire before a final written decision is issued shall be given its broadest reasonable construction in light of the specification of the patent in which it appears. A party may request a district court type claim construction approach to be applied if a party certifies that the involved patent will expire within 18 months from the entry of the Notice of Filing Date Accorded to Petition. The request, accompanied by a party's certification, must be made in the form of a motion under § 42.20, within 30 days from the filing of the petition.~~

SAS Institute Inc. vs. Iancu (April 24, 2018)

- Supreme Court in *SAS Institute Inc.*
 - PTAB's partial institution decisions violate 35 U.S.C. § 318(a).
 - 35 U.S.C. § 318(a) Final Written Decision.— If an *inter partes* review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 316(d).
 - The decision to institute is binary (all or nothing): once instituted, the PTAB must render a decision on all challenged claims.
- PTAB's Implementation of the *SAS Institute*:
 - Once instituted, PTAB will review not only all challenged claims but all grounds for each challenged claim

SAS Institute: Its Impacts

- Impacts of *SAS Institute Inc.*
 - Heightened burden on a Petitioner in careful selection of claims and invalidity grounds.
 - Patent Owner's dilemma in submitting new testimonial evidence in the patent owner's preliminary response: Patent Owner must derail all grounds on all challenged claims.
 - Strengthened scope of the Petitioner's Estoppel: all grounds presented in a petition.
 - The "all in" trial institution under the *SAS Institute* may increase the likelihood for a district court to stay the litigation pending IPR.

Discretion under 35 U.S.C. § 325(d)

- 35 U.S.C. § 325(d) Multiple Proceedings.
 - Notwithstanding sections 135(a), 251, and 252, and chapter 30, during the pendency of any post-grant review under this chapter, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the post-grant review or other proceeding or matter may proceed, including providing for the stay, transfer, consolidation, or termination of any such matter or proceeding. In determining whether to institute or order a proceeding under this chapter, chapter 30, or chapter 31, the Director may take into account whether, and reject the petition or request because, **the same or substantially the same prior art or arguments** previously were presented to the Office.

Discretion under 35 U.S.C. § 325(d)

- Becton Dickinson & Co. v. B. Braun Melsungen AG, Case IPR2017-01586, slip op. at 17–18 (PTAB Dec. 15, 2017) (Paper 8) (informative).
- Five non-exclusive factors
 - (1) the similarities and material differences between the asserted art and the prior art involved during examination;
 - (2) the cumulative nature of the asserted art and the prior art evaluated during examination;
 - (3) the extent to which the asserted art was evaluated during examination, including whether the prior art was the basis for rejection;
 - (4) the extent of the overlap between the arguments made during examination and the manner in which Petitioner relies on the prior art or Patent Owner distinguishes the prior art;
 - (5) whether Petitioner has pointed out sufficiently how the Examiner erred in its evaluation of the asserted prior art; and
 - (6) the extent to which additional evidence and facts presented in the Petition warrant reconsideration of prior art or arguments.
- A “new” ground may be “cumulative” and thus is insufficient under 35 U.S.C. § 325(d)

Additional Discovery

- Additional discovery may be ordered if the party moving for the discovery shows “that such additional discovery is in the interests of justice.” 37 C.F.R. § 42.51(b)(2).
- The Board has identified five factors (“the Garmin factors”) important in determining whether additional discovery is in the interests of justice. Garmin Int’l, Inc. v. Cuozzo Speed Techs. LLC, Case IPR2012-00001, slip op. at 6–7 (PTAB Mar. 5, 2013) (Paper 26) (informative).
 - (1) more than a possibility and mere allegation that something useful will be discovered;
 - (2) requests that do not seek other party’s litigation positions and the underlying basis for those positions;
 - (3) ability to generate equivalent information by other means;
 - (4) easily understandable instructions; and
 - (5) requests that are not overly burdensome to answer.

Patent Owner's Newly Gained Final Word Rights

- A Patent Owner can file a sur-reply as a matter of course, which “essentially replaces the previous practice of filing observations on cross-examination testimony.”
- the sur-reply may not be accompanied by new evidence other than deposition transcripts of the cross-examination of any reply witness,”
- Sur-replies should only respond to arguments made in reply briefs, comment on reply declaration testimony, or point to cross-examination testimony.
- Patent owner may go last in oral hearings

Contact Information



- Kevin Patariu
- kpatariu@perkinscoie.com
- 858-720-5726



- Matt Bernstein
- mbernstein@perkinscoie.com
- 858-720-5721



- Jim Coughlan
- jcoughlan@perkinscoie.com
- 312-324-9537