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PATENTS

A week ago, this journal sent its anniversary greetings to the Patent Trial and Appeal Board in the form of an overall recap of its performance handling post-grant opposition petitions under the America Invents Act. This second installment looks at the procedures themselves, from petition to final written decision, providing practitioners' views of what works and what doesn't, how prospective participants in the process should approach a case, and what the board might do to improve its procedures.

*Lead Report/Patents***America Invents Act Post-Grant Oppositions After Two Years:
A Case End-to-End: What Wins? What Loses?**

After two years handling post-grant opposition proceedings enabled by the America Invents Act, most stakeholders were satisfied that the Patent Trial and Appeal Board was doing the job the Congress requested.¹

"The purpose of the Congress in enacting the AIA has been achieved: three judge expert panels, limited discovery and a set, short schedule," said James R. Myers of Ropes & Gray LLP, Washington. "Clients get answers to their patent invalidity disputes at a lower cost on a predictable schedule."

Bloomberg BNA followed up on that general premise and asked stakeholders to look at the segments of the schedule and identify good and bad practices for practitioners. Many commenters also wanted to add suggestions for the PTAB on how to improve the way it conducts its proceedings.²

¹ See the first of a four-part series, Benefit or Death Squad? . The remaining two installments will be directed to the relationship between PTAB actions and litigation in federal courts, including stays and estoppel; and what's next for the PTAB, with new procedures related to the first-inventor-to-file system change, Federal Circuit decisions on appeals and Congress still thinking of making changes to the AIA procedures on the horizon.

² The proceedings cover inter partes review (IPR) petitions and covered business method (CBM) challenges. They are conducted essentially along the same lines, and this article will not

Planning to File Petition.

"The most important takeaway from the first two years of PTAB proceedings is that these actions are extraordinarily front-loaded," Stuart P. Meyer of Fenwick & West LLP's Silicon Valley, Calif., office, told Bloomberg BNA. "It is quite difficult, if not impossible, to bring up new factual issues or propound newly thought-up legal arguments late in the proceedings."

That extends even to oral argument, where the three-member panel will not only "preclude new arguments, but even preclude presenting prior arguments in markedly different ways than they were previously presented," Meyer said. "This is being enforced much more strictly than is typical in court trial practice."

Richard G. A. Bone of VLP Law Group LLP, Palo Alto, Calif., said that a petitioner needs to be well aware of the costs of the proceedings from the beginning and choose a strategy accordingly.

"It behooves patent owners to work with their patent trial counsel to work out their budget at the very beginning," Bone said. "Although there is some variability in the discovery phase, once a petition has been reviewed, and the number of proposed grounds of invalidity assessed, it is possible to make tactical choices about

otherwise distinguish them. Post-grant review (PGR) and derivation options are just now getting started and will be addressed in the fourth installment.

where and when to spend the most money, as well as to get credible estimates for the costs of each phase of the process over an 8-10 month period.”

Process End to End.

This journal has published outside-authored BNA Insight articles intended to assist practitioners understand the PTAB’s review from end to end.³

One theme of those stories stands out: Do not expect a carbon copy of litigation; pay careful attention to the board’s rules.

“One key piece of advice is a pretty obvious one, and it resembles what you’d tell a fellow driver about a new railroad crossing or other unknown terrain: stop, look and listen,” said Myers’s colleague at Ropes & Gray, J. Steven Baughman. “Strangely, we see a surprising number of situations in which the Board offers clear guidance—whether it’s in the Rules, the Trial Practice Guide, its blog, or in a phone conference—that is simply not followed.”

One other source of PTAB information is its Representative Orders, Decisions, and Notices website. The opinions there are must reading for petitioners and patent owners involved in PTAB proceedings.

“The PTAB judges have gone to considerable lengths to make themselves available and open for consultation and discussion in a variety of forums,” Baughman said, “and when they give guidance it’s incumbent on any careful practitioner to pay attention—and to follow it.”

With that overview, the remainder of this article will dive into more detail on each stage of the process.

Petition Filing: When and How Many?

A petition challenging a covered business method (CBM) patent can be filed at any time. A petition for inter partes review (IPR) must be submitted no more than one year after a patent infringement complaint is filed. The trickier question for the latter is in how to synchronize the administrative proceeding and litigation.

“Because most IPR petitions are filed with parallel litigations, the need for coordination is important,” according to Eric P. Raciti of Finnegan, Henderson, Farabow, Garrett & Dunner LLP, Boston. “If a stay [of the infringement litigation] is desired, filing the IPR petition before substantive discovery begins is another important factor for success—stays are not automatic. Filing an IPR early can also put pressure on the patent owner.”

³ See, e.g., Fifteen Months of Contested Proceedings Under the America Invents Act: Lessons Learned (27 PTD, 2/10/14), by Naveen Modi and Srikala P. Atluri of Finnegan, Henderson, Farabow, Garrett & Dunner LLP in Washington; Defending Your Patent From Inter Partes Review, by Robert A. Pollock, Ph.D., and Mark J. Feldstein, Ph.D. of Finnegan Henderson.

“Keeping a petition tightly focused on a very limited number of well-thought-out grounds remains the best way to ensure that a trial is instituted.”

ELEANOR M. YOST, GOODWIN PROCTER

The secondary question, perhaps surprisingly, is how many petitions to file against the same patent.

“Given the strict page limits, the filing of multiple IPR petitions has become a common tactic and is likely to increase,” said Mark J. Feldstein of Finnegan, Henderson, Farabow, Garrett & Dunner LLP in Washington. “Multiple petitions can be especially important for patents with a large number of claims, or where the prior art is particularly extensive.”

VLP Law’s Bone suggested that the PTAB might vary the page limit, such as making it higher or lower depending on the number of claims challenged.

But, Raciti said, “Filing multiple petitions should also be considered if the goal is to challenge multiple patents or present non-duplicative prior art combinations.”

Fenwick’s Meyer also cautioned against filing one petition with multiple grounds alleging unpatentability, saying that the PTAB has often picked one argument and declared the rest redundant.

“Including more than two grounds presents risks that the PTO will cull the grounds for you,” he said.

“Keeping a petition tightly focused on a very limited number of well-thought-out grounds remains the best way to ensure that a trial is instituted,” Eleanor M. Yost of Goodwin Procter LLP, Washington, said in agreement. “Filing multiple petitions—each directed to separate grounds—is still a good way to cover your bases.”

From day one of AIA petition availability, Baughman and his firm challenged multiple patents with multiple petitions against each.

“When it’s done thoughtfully, the use of multiple petitions can enable a challenger to present a much more robust challenge by laying out a select array of its strongest invalidity arguments to the Board with the required level of detail and rigor,” he said, summarizing the prevailing viewpoint. “Multi-petition strategies can be complicated, but extremely effective.”

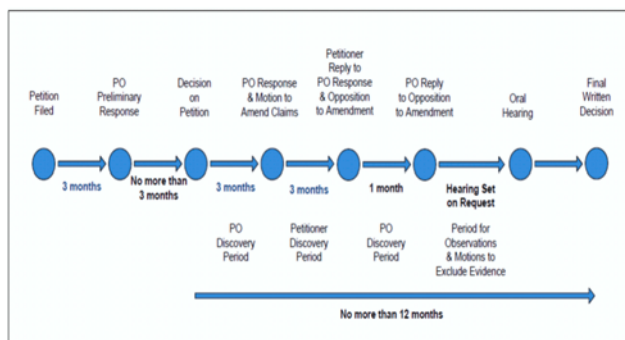
File a Preliminary Response?

Once the petition is filed, the board has been doing everything possible to keep to a schedule it laid out in its rules package just before the Sept. 16, 2012, opening date for petition filings.

The PTAB set deadlines so as to make a decision on a petition—whether to institute trial or not—within six months of filing. If trial is instituted, the AIA asked the PTAB to reach a final decision on patentability within one year.

In the middle of that first period, a patent owner has the option to file a preliminary response, and practitioners differ on the value of doing so.

Grant Ford of Sughrue Mion PLLC, Washington, authored a piece published in this journal that weighed the benefits and drawbacks. Looking at the numbers for



those who file a response or not, he determined that “there does not appear to be a causal nexus between patent owner preliminary response filings and corresponding petition denials.”⁴

Again, VLP’s Bone said that cost should be a factor in the decision.

“Waiving the patent owner preliminary response is the first obvious area where hard choices could be made with a tight budget, but even going as far as conceding validity of certain claims of lesser value could contribute to cost savings overall,” he said.

Finnegan Henderson’s Raciti said that the preliminary response could be a valuable tool, but his colleague Feldstein said, “It may be more strategic and cost effective to decline to file the optional response unless there is, for example, a key defect in the petition or specific claim construction issue that needs to be addressed early.”

Bone identified such defects as a time bar, failure to identify the real party in interest or an explanation of “why certain references are not prior art.” And he asked the PTAB to extend the three-month filing due date, which “already represents quite a time crunch for many patent owners who are reacting for the first time to a detailed petition—sometimes multiple petitions—and often an extensive supporting declaration from the petitioner’s expert.”

The Board’s First Decision: Institute Trial or Not?

This journal has previously reported the high rate of petition grants—i.e., the PTAB’s decision to institute trial. Baughman calculated the rate for the year ending Oct. 1 at around 75 percent, with the number of settlements and adverse judgments also increasing.⁵

Prior BNA Insights have offered two specific pieces of advice—be especially cognizant of the PTAB’s decision to use the “broadest reasonable construction” standard to construe claims,⁶ and remember that the precursor to the PTAB, the Board of Appeals and Interferences issued many opinions that already represent

⁴ See Navigating the Minefield: Avoiding Estoppel in Preliminary Proceedings at the Patent Trial and Appeal Board .

⁵ Baughman’s article for this journal, Taking Stock After the AIA’s Second Year of Post-Grant Trials, will be published later this week.

⁶ See The Broadest Reasonable Construction Standard and the Consideration of Claim Construction by a District Court at the Patent Trial and Appeal Board (164 PTD, 8/25/14), by John R. Kenny and Scott I. Forman of Kenyon & Kenyon, New York; Inter Partes Review: Making Heads or Tails of the ‘Reasonable Likelihood of Success’ Standard (208 PTD, 10/28/13), by Eric P. Raciti, Clara N. Jimenez, and Arpita Bhattacharyya of Finnegan, Henderson, Farabow, Garrett & Dunner LLP in Boston.

“a large body of case law and years of board experience in other contested cases.”⁷

Trial: Depositions.

If the petition is denied and trial is not instituted, the patent owner is in a significantly better position in any parallel litigation, even though the claim construction standards and presumption of validity differ.

If trial is instituted, all is not lost for the patent owner, but again, its options compared to litigation are limited.

Finnegan Henderson’s Raciti cautioned about the differences with respect to taking depositions.

“In certain instances depositions will open the door for experts to address shortcomings in their declarations,” he said. “Because the Board does not rule in evidentiary motions until after the final hearing, it may be difficult to counteract the effects of damaging testimony.”

But the biggest limitation on a patent owner in a PTAB trial is undoubtedly discovery.

Trial: Discovery.

“The PTAB has been true to the notion that as a streamlined alternative to litigation, these proceedings will entertain only very limited, highly focused discovery,” Fenwick’s Meyer said. “Virtually every attempt to bend the rules in order to enjoy discovery freedoms similar to those available under the Federal Rules of Civil Procedure has failed.”⁸

Garmin Int’l Inc. v. Cuozzo Speed Techs. LLC, IPR 2012-00001, Paper 20 (P.T.A.B. March 5, 2013) put forth a five-factor test for whether additional discovery is in “the interest of justice.”

According to Alan W. Kowalchuk of Merchant & Gould P.C., Minneapolis, the first factor—that the request identify “more than a possibility and mere allegation” that additional discovery will be useful—is rarely met.

“The need to ‘manage’ these PTAB proceedings in a timely fashion makes it more important that any request for additional discovery be extremely well grounded,”⁹ he said.

“This first factor is killing many discovery requests; it is particularly harsh where the information sought lies exclusively with one party,” according to Jon E. Wright of Sterne, Kessler, Goldstein & Fox PLLC, Washington. He cited examples particularly related to secondary considerations of nonobviousness—evidence of copying, commercial success or long-felt need—“that

⁷ See To Predict How the Board Will Decide Issues in Inter Partes Review Proceedings, Look to Prior Board Decisions in Contested Cases (32 PTD, 2/18/14), by Michael Siekman and Chelsea Loughran of Wolf, Greenfield & Sacks P.C., Boston.

⁸ See also Post-Grant Patent Proceedings: The Limited Scope of Additional Discovery (160 PTD, 8/19/13), by Alan W. Kowalchuk and John Vaubel in Merchant & Gould P.C., Minneapolis; Discovery in Inter Partes Review—A Far Cry From District Court (184 PTD, 9/23/13), by Jon E. Wright and Sarah I. Danley of Sterne, Kessler, Goldstein & Fox PLLC, Washington.

⁹ Kowalchuk’s example of grant was *Atlanta Gas Light Co. v. Bennett Regulator Guards, Inc.*, IPR 2013-00453, Paper 40 (P.T.A.B. Apr. 23, 2014) (granting an additional discovery motion, in part, as to documents potentially bearing on one of the Petitioner’s declarants statements regarding an indemnification dispute between Petitioner and a potential real party-in-interest.).

may lie exclusively with the accused infringer/petitioner.”

“The PTAB has been true to the notion that as a streamlined alternative to litigation, these proceedings will entertain only very limited, highly focused discovery.”

STUART P. MEYER, FENWICK & WEST

“Another example is evidence tending to show that there is another real party in interest behind a petitioner, or a party ‘in privity’ with a petitioner,” Wright said, noting that such evidence was relevant to standing.

“In these cases, where the evidence would tend to be solely possessed by the petitioner, it is virtually impossible to meet the first *Garmin* factor,” he said. “The PTAB should revisit or relax this first standard and permit very targeted discovery requests along these lines.”

Bernard J. Knight Jr. of McDermott Will & Emery in Washington foresaw an appeal to the Federal Circuit on the board’s standard and its test.

“The PTAB interprets the ‘interest of justice’ standard in the AIA to require that the movant show that the other party has a document that will help their case,” the former PTO general counsel said. “How often does a party know that the other party has a document and if so, that it will actually state something that will help their case? The Federal Circuit could see this as too restrictive and a due process issue.”

Trial: Confidentiality.

The difficulty in satisfying *Garmin* has limited confidentiality issues as well, according to Anthony A. Hartmann of Finnegan, Henderson, Farabow, Garrett & Dunner, Washington.¹⁰

However, the PTO currently has before the stakeholder community a request for comments on changing its procedures,¹¹ and Hartmann assumed that many responses would request more latitude on discovery.

If the PTO enables more discovery, he said, “the PTAB may see further interest in tailored protective orders. Ultimately, however, a party’s desire for confidentiality will be weighed against the public policy for a complete and understandable record.”¹²

Motions to Amend Claims Failing.

Perhaps no aspect of the PTAB’s proceedings has received more criticism than its near universal rejection

of a patent owner’s motions to amend claims as part of its response after trial institution.

“A motion to amend is almost never successful,” Raciti said.

“With the very high (statistical) likelihood that a motion to amend will not be granted, it may not be worthwhile sinking time and expense into proposing amendments via IPR,” VLA Law’s Bone said.

“A motion to amend is almost never successful.”

ERIC P. RACITI, FINNEGAN, HENDERSON

Administrative patent judges have argued that the failure is in the motions, not that they are being especially strict.¹³ But they apparently realized that practitioners were not understanding their view on what is necessary in a successful motion to amend, so they issued year-old “informative decisions” on the topic on Aug. 8.¹⁴

Raciti said the board’s requirement is nevertheless a “heavy burden.”

“The PTAB requires the patent owner to show that the claims are patentable not only over the prior art asserted against the claims, but also against any other prior art known to the patent owner,” he said. He suggested those considering amendment file a reissue application instead, “although it is likely that the PTAB will stay the reissue application pending the IPR [result].”

And McDermott’s Knight asked whether the board exceeded its statutory authority by establishing that standard.

“One might argue that the PTAB requirement that the patent owner explain with specificity why the substitute claims are patentable over all prior art known to the patent owner has no basis in the issued AIA regulations,” he said. “This arguably is a new requirement imposed by just three Administrative Patent Judges in individual decisions.”

Again, Knight predicted an appeal. “The Federal Circuit might find that three judges do not have the legal authority to expand on the requirements in the USPTO issued regulations and that the decisions using this new standard violate the Administrative Procedure Act.”

Final Decisions.

The board decides whether to cancel challenged patent claims or not, issuing a final written decision, whenever the parties contest the case to its conclusion.

To date, the PTAB has met its one-year deadline in all but one case, and there was a very good reason to extend that case.¹⁵

The results have been decidedly in favor of petitioners. This journal has reported most recently that more

¹⁰ See Hartmann’s Protecting Confidential Information Before the Patent Trial and Appeal Board(77 PTD, 4/22/13), for more detail.

¹¹ See PTO Seeks Suggestions on Changing Rules For PTAB Patent Challenge Trial Proceedings(127 PTD, 7/2/14)

¹² PTAB’s Trial Practice Guide, 77 Fed. Reg. at 48,761. “We have seen at least one decision whereby papers previously sealed under a Rule 42.54 motion were required to be redacted in response to a post-trial motion to expunge under Rule 42.56,” Hartmann told Bloomberg BNA.

¹³ See Innovation Act, PTAB Rulings Replace Budget As Hottest Topics at PPAC Quarterly Meeting (31 PTD, 2/14/14)

¹⁴ See PTAB Issues Informative Ruling on Standards For Successful IPR Motion to Amend Claims (99 PTD, 5/22/14)

¹⁵ See Post-Grant Patent Opposition Petitions On the Rise Despite Drop in Success Rates (150 PTD, 8/5/14), regarding *Ariosa Diagnostics v. Isis Innovation Ltd.*, No. IPR2012-00022 (P.T.A.B.). Trial was instituted March 19, 2013, and the final written decision was published Sept. 2, 2014.

than half the originally challenged claims are being cancelled at a rate of about 77 percent of those that go to a final written decision.¹⁶

But that is not entirely unexpected considering that the board has already made a determination, when it instituted trial, of the likelihood that at least one claim is unpatentable.¹⁷

¹⁶ *Id.*

¹⁷ A “reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition” in an IPR proceeding. 35 U.S.C. § 314(a). A “more likely than not” standard for a CBM challenge. 35 U.S.C. § 324(a).

All told, considering settlements, petition withdrawals, adverse judgments, trial institutions and final decisions, this journal has calculated petitioners’ projected success rate at about 64 percent.¹⁸ Though that is down from the initial 71 percent success rate after the first year of the proceedings, it beats the odds of getting a patent invalidity judgment in district court.

So long as that remains true, the PTAB proceedings will remain a viable if not preferred route for alleged infringers to win their cases.

By TONY DUTRA

¹⁸ See *supra* note 15.