

Two Years Later: Observations on the Second Year of Contested Proceedings at the USPTO

September 23, 2014

Md
Medical Devices

Na
Nanotechnology

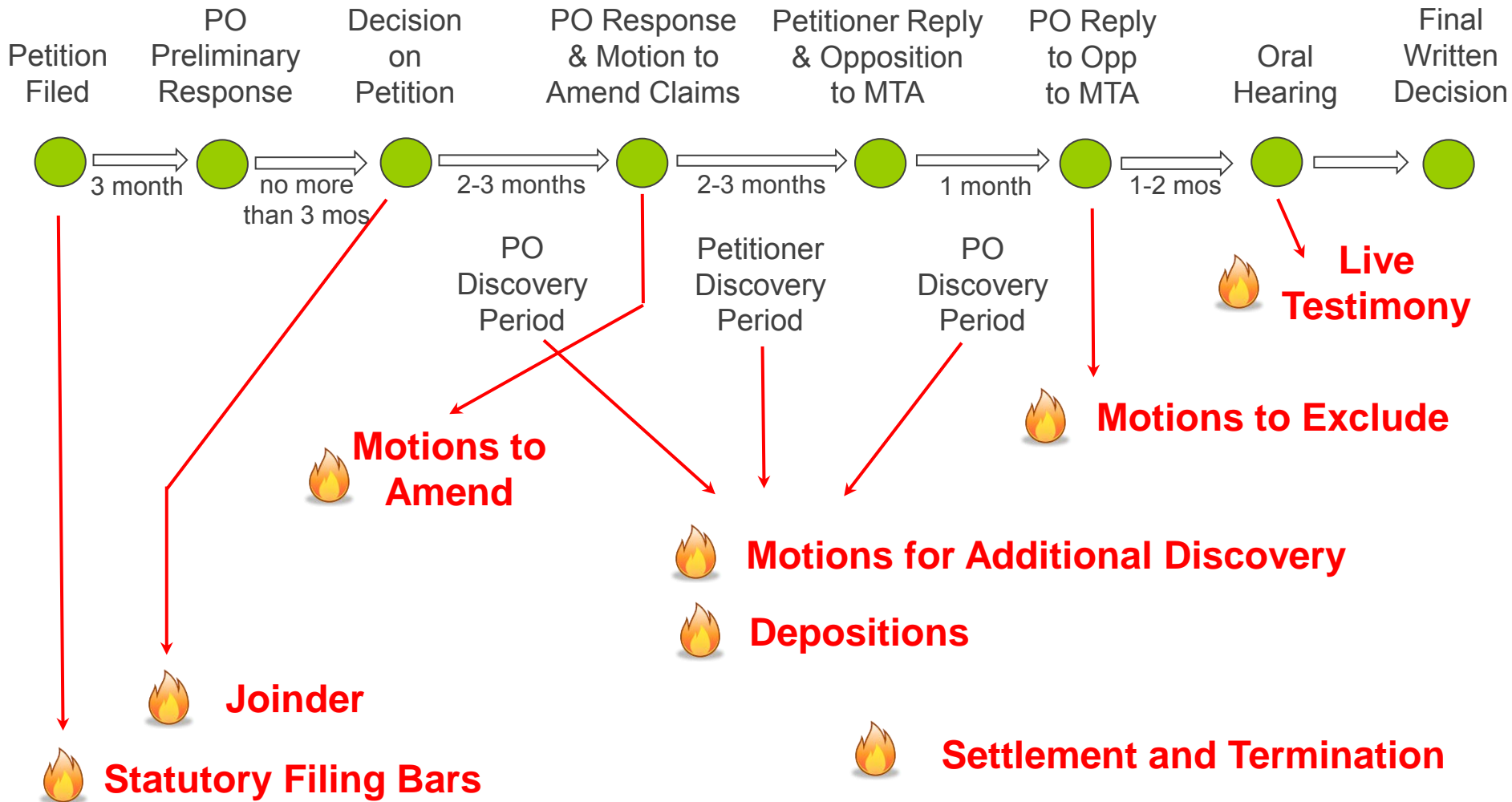
Ds
Data Security

Bt
Biotechnology

S
Software

C
Chemistry

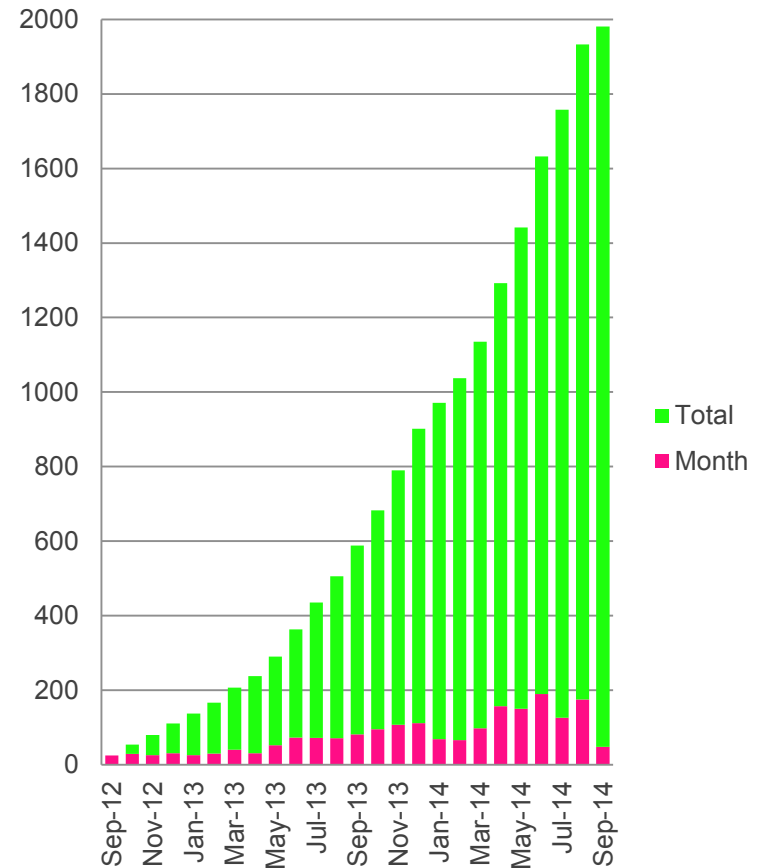
Trial Time Line



Filing Statistics

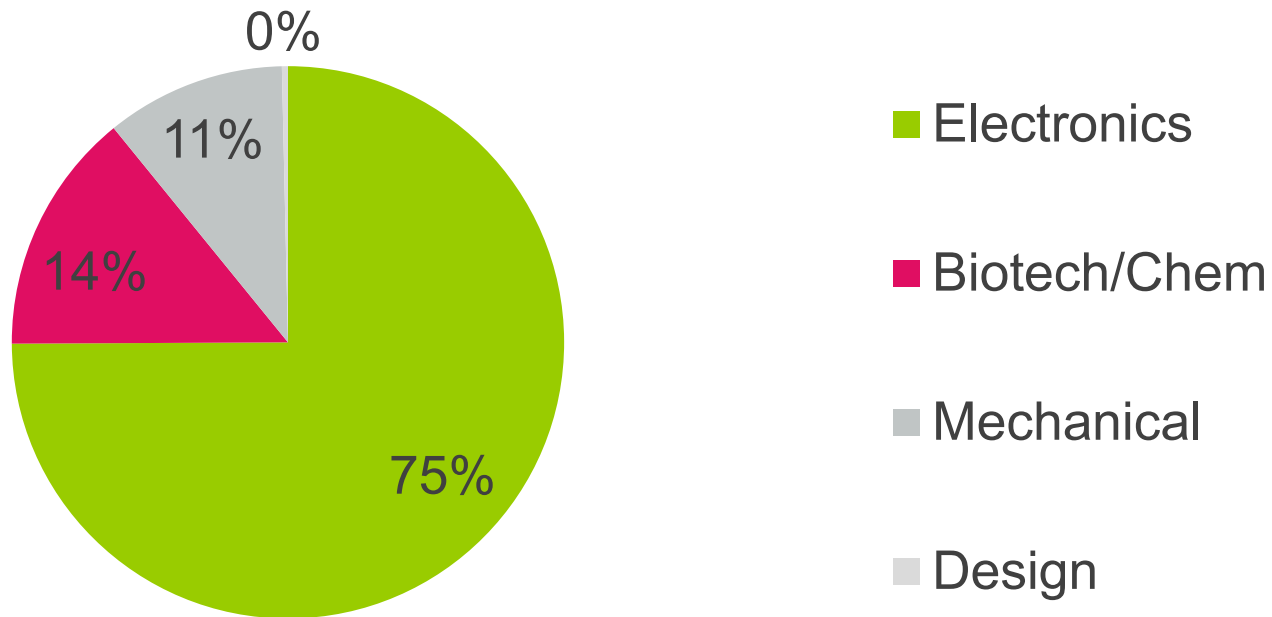
Month	# of IPR/CBM Filings
September 2012	25
1 st Quarter FY2013	86
2 nd Quarter FY2013	96
3 rd Quarter FY2013	156
4 th Quarter FY2013	225
October 2013	95
November 2013	107
December 2013	112
January 2014	69
February 2014	66
March 2014	98
April 2014	157
May 2014	150
June 2014	190
July 2014	126
August 2014	175
September 2014	48
Total	1,981

IPR and CBM Filings by Month



First PGR Filed in August 2014

Filing by Technology



IPR Filing: Civil Action Bar

35 U.S.C. § 315(a):

(1) Inter partes review barred by civil action. An inter partes review may not be instituted if, before the date on which the petition for such review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of a patent

- Counterclaim challenging the validity of a claim of a patent does not constitute a civil action challenging the validity of a claim of a patent. 35 U.S.C. § 315(a)(1)
- DJ of non-infringement is not a civil action challenging the validity of a claim of a patent [IPR2012-00022]
- Filed does not mean “filed and served” [IPR2013-00114]

IPR Filing: 1 Year Bar

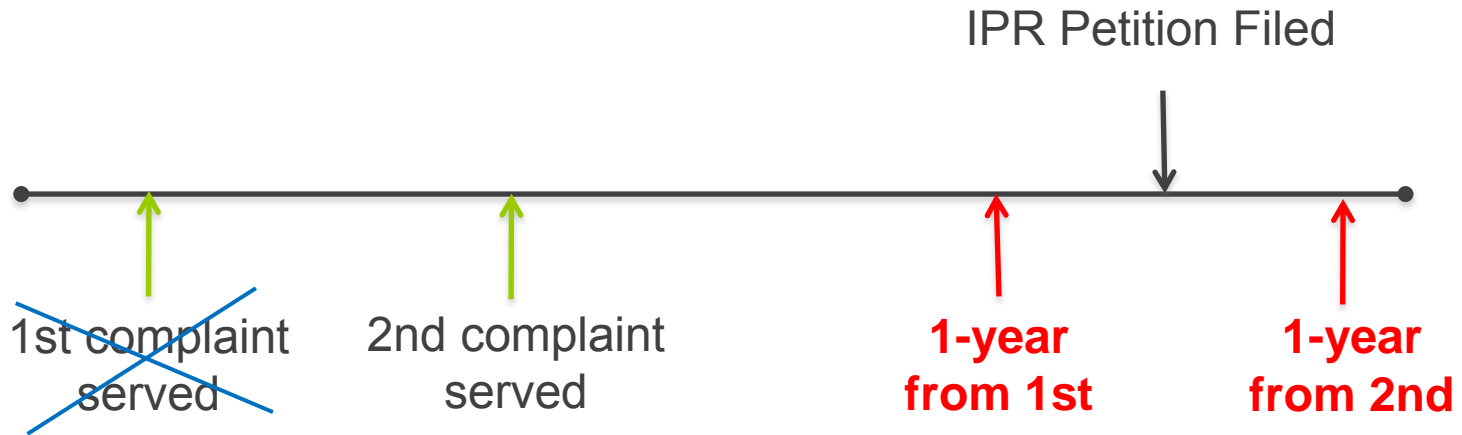
35 U.S.C. § 315(b):

An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner ... is served with a complaint alleging infringement of the patent.



- Though the statute does not refer to a “civil action,” this how the Board has interpreted this section. An ITC action does not qualify, nor does a complaint in an arbitration. See IPR2013-00242, Paper 98.

1 Year Bar: Scenarios

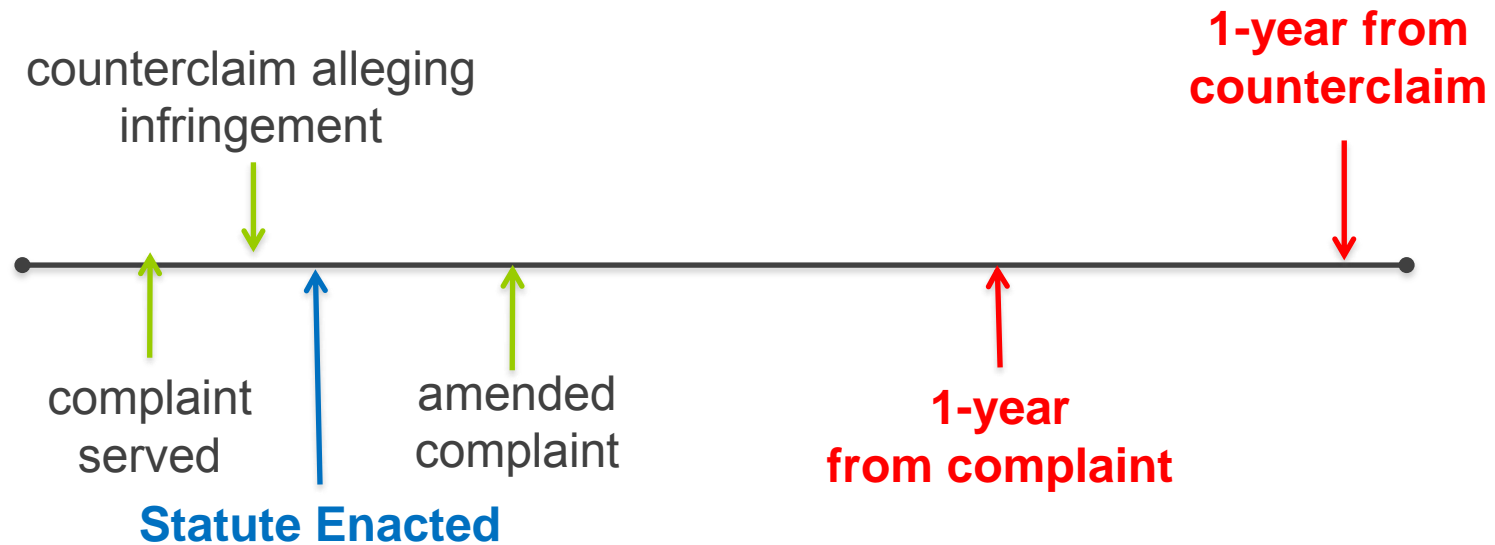


First Complaint dismissed without prejudice: **NO BAR** [IPR2014-00590]

First Complaint dismissed without prejudice pursuant to a consolidation: **BAR** [IPR2014-00319]

First Complaint dismissed with prejudice: **BAR** [IPR2013-00258]

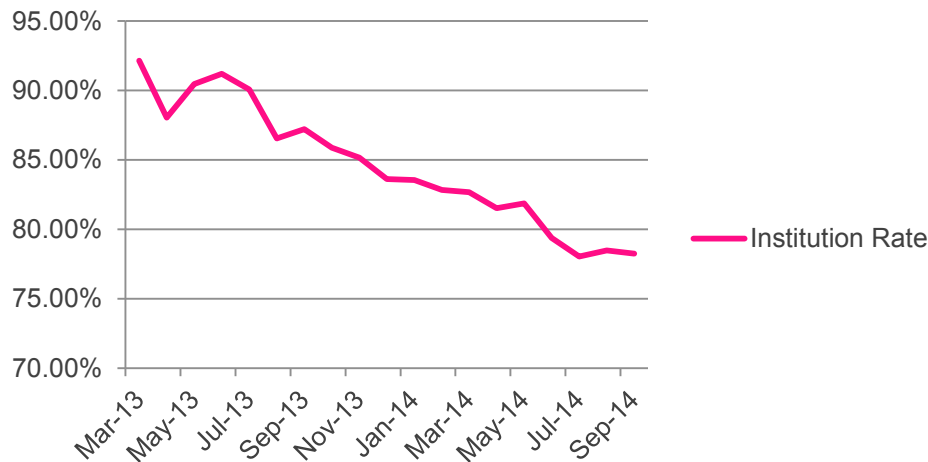
1 Year Bar: Scenarios



- Counterclaim alleging infringement is a complaint for infringement starting one-year timer [IPR2013-00258]
- Amended complaint does not restart clock [IPR2014-00361]
- Statute bars institution based on complaint served more than one year before filing of request for review, even if complaint at issue was served before passage of AIA [IPR2014-00236]

Institution Statistics

Tracking the Cumulative Institution Rate



Period	Institution Rate
1 st - 3 rd Quarter FY2013	91.2%
4 th Quarter FY2013	82.1%
1 st Quarter FY2014	78.5%
2 nd Quarter FY2014	81.3%
3 rd Quarter FY2014	72.2%
4 th Quarter FY2014	73.1%
Total	78.3%

- **IPR:** To date, trial instituted in 700 proceedings and denied in 191
- **CBM:** To date, trial instituted in 88 proceedings and denied in 28

Institution – Patent Owner Preliminary Response

- POPR is only opportunity for patent owner to be heard with respect to institution
 - Standing
 - Teach away
 - Claim construction
 - Reference is not prior art
 - *Prima facie defects in petition; failure to meet burden for initiation*
 - *Section 325(d) arguments*

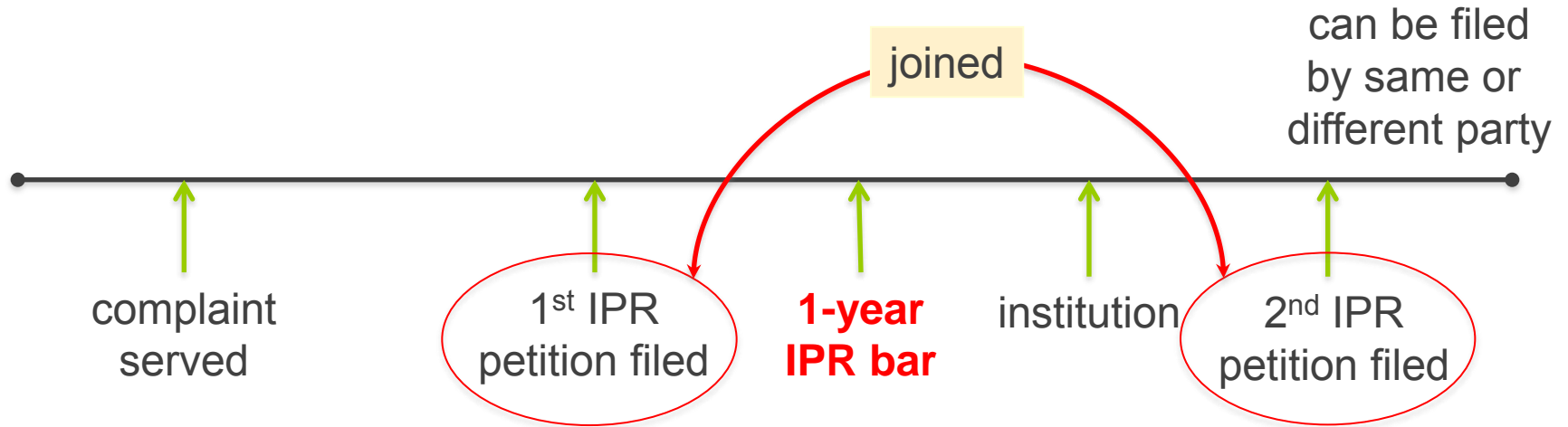
Institution: Joinder

35 U.S.C. § 315(c):

If the Director institutes an inter partes review, the Director, in his or her discretion, may join as a party to that inter partes review any person who properly files a petition under section 311 that the Director, after receiving a preliminary response under 313 or the expiration of the time for filing such a response, determines warrants the institution of an inter partes review under section 314.

- Decision is discretionary
- Board stresses “The rules are to be construed so as to ensure the **just, speedy, and inexpensive resolution of a proceeding ...**” (Office Patent Trial Practice Guide, 77 Fed. Reg. 48756, 48758 (Aug. 14, 2012))

Joinder – Relationship to 1-Year Bar



The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).”
35 U.S.C § 315(b)

Joinder

Joinder may be requested by a patent owner or petitioner. Any request for joinder must be filed, as a motion under 42.22, no later than one month after the institution date of any *inter partes* review for which joinder is requested.

37 C.F.R. § 42.122 (b)

- cannot join parties to instituted *inter partes* review [IPR2012-0001]
- cannot join if base proceeding terminated [IPR2013-00354; 2014-00061]
- party is not required to file motion for joinder simultaneously with petition [IPR2013-00348]
- One month time period can be waived for special circumstances [IPR2013-00495 (waived); IPR2013-00584; IPR2014-00061 (not waived)]
- Secondary (understudy) party may assume first chair role if parties settle [IPR2013-00495]

Joinder – Example Decisions

same parties, overlapping prior art, additional claims necessitated by change in Patent Owner's litigation positions

GRANTED
(IPR2013-00109)
(IPR2013-00326)

different claims (dependent from instituted claims) limited in scope (minimal effort for PO)

GRANTED
(IPR2014-00557)

different parties, same claims, same grounds of unpatentability

- consolidated filings
- secondary (joined party) can file paper only to points of disagreement with primary petitioner

GRANTED
(IPR2013-00257)
(IPR2013-00385)
(IPR2014-00556)

new claims, different parties, new declarant

DENIED
(IPR2013-00319)

Motion to Amend

35 U.S.C. § 316(d): AMENDMENT OF THE PATENT

(1) IN GENERAL – During an inter partes review instituted under this chapter, the patent owner may file 1 motion to amend the patent in 1 or more of the following ways:

- (A) Cancel any challenged claim.
- (B) For each challenged claim, propose a reasonable number of substitute claims.

- **Motion:** Patent Owner has (heavy) burden of proof
37 C.F.R. § 42.20(c): “The moving party has the burden of proof to establish that it is entitled to the requested relief”
- Motion is **conditional** – proposed substitute claims will be directly added to patent, without examination, only if challenged claims are unpatentable, and only if Patent Owner affirmatively demonstrates patentability of substitute claims, including Section 101.
- Consider alternate vehicles to pursue amendments – e.g., adverse judgment followed by reissue or ex parte reexamination.

Motion to Amend

A motion to amend may cancel a challenged claim or propose a reasonable number of substitute claims.

37 C.F.R. § 42.121(a)(3), 42.221(a)(3)

- Cannot add new claims [IPR2012-00027]
- Motions to cancel claims are granted [IPR2013-00116,00117]
- **One** motion to amend with substitute claims granted to date

IPR2013-00124: *International Flavors & Fragrances v. The United States of America*

- Petitioner did not oppose Patent Owner's motion to amend

Motion to Amend

A motion to amend claims must include a claim listing, show the changes clearly, and set forth:

(1) The support in the original disclosure of the patent for each claim that is added or amended; and (2) The support in an earlier-filed disclosure for each claim for which benefit of the filing date of earlier filed disclosure is sought. 37 C.F.R. § 42.121(b), 42.221(b)

- Must show support in **original disclosure** [IPR2012-00005]
- Provide copy of original disclosure, cite to the original disclosure [IPR2012-00005; IPR2013-00033]
- Provide copy of original disclosure of each earlier-filed application for which benefit of the filing date of the earlier-filed disclosure is sought [IPR2013-00033]

Motion to Amend

Patentability over Prior Art: A patent owner should identify specifically the feature or features added to each substitute claim, as compared to the challenged claim it replaces, and come forward with technical facts and reasoning about those feature(s), including construction of new claim terms, sufficient to persuade the Board that the proposed substitute claim is patentable over the prior art of record, and over prior art not of record but known to the patent owner

IPR2012-00027: *Idle Free Systems, Inc. v. Bergstrom, Inc.*

- Required to address patentability of proposed substituted claims under 35 U.S.C. 101 [IPR2012-0022; IPR2013-00250]
- Majority of motions to amend denied because Patent Owner failed to demonstrate patentability

Additional Discovery

37 C.F.R. § 42.51(b): Limited Discovery

(2) *Additional discovery.* (i) The parties may agree to additional discovery between themselves. Where the parties fail to agree, a party may move for additional discovery. The moving party must show that such additional discovery is in the interests of justice, except in post-grant reviews where additional discovery is limited to evidence directly related to factual assertions advanced by either party in the proceeding (see § 42.224). The Board may specify conditions for such additional discovery.

- IPR: “interests of justice”
- PGR/CBM: “good cause – limited to evidence directly related to factual assertions by either party”

Additional Discovery: Five Factors

Factor #1: More than a Possibility and Mere Allegation

The mere possibility of finding something useful, and mere allegation that something useful will be found, are insufficient

interest of justice: requesting party should already be in possession of evidence tending to show beyond speculation that in fact something useful will be uncovered

good cause: moving party must provide a specific factual reason for expecting that discovery will be useful

Factor #2: Litigation Positions and Underlying Basis

Asking for the other party's litigation positions and the underlying basis for those positions is not necessary in interest of justice and is insufficient to demonstrate good cause

Additional Discovery: Five Factors

Factor #3: Ability to Generate Equivalent Information by Other Means

A party should not seek information that reasonably can be generated without a discovery request.

Factor #4: Easily Understandable Instructions

Instructions and questions should be easily understandable.

Factor #5: Requests Not Overly Burdensome to Answer

Requests must not be overly burdensome to answer.

The burden includes financial burden, burden on human resources, and burden on meeting the time schedule of the trial.

Requests should be sensible and responsibly tailored according to a genuine need.

Additional Discovery: Examples

Case		Scope of Requested Discovery
IPR2013-00586	DENIED	RPI: PO's proposed interrogatories are not <i>focused</i> ; proposed interrogatories are not limited to questions <i>concerning IPR filing</i>
CBM2013-00005	GRANTED	documents and things considered by expert in preparation of declaration
IPR2014-00367	DENIED	sales information for product; documents related to product (probative of secondary considerations)
IPR2013-00453	GRANTED	RPI (e.g., communications): Patent Owner's <i>specific identification of evidence</i> established the <i>existence</i> of a dispute over indemnification between Petitioner and non-party
IPR2013-00453	DENIED	RPI: Patent Owner presents a number of <i>inferences</i> in support of its <i>hypothesis</i> that a non-party was involved in the preparation, filing, or funding of the petition
IPR2014-00097	GRANTED	file history for Petitioner's application not publicly available (Petitioner discussed prior art reference at issue in proceeding)
IPR2014-00171	GRANTED	RPI: At least some discovery is permitted on the issue of control of the proceeding <i>based on the specific facts</i> of the proceeding

Depositions

- **Scope:** limited to scope of the direct testimony [37 C.F.R. 42.53(d)(5)(ii)]
 - need not be limited to grounds on which proceeding instituted
- **Errata:** rules do not provide for filing of errata sheets – must seek authorization before filing [IPR2012-00001]
- **Conferring with Witness:** Defending counsel cannot confer with witness during cross-examination
 - Proper to have discussion with witness before redirect
- **Etiquette:** Provided in *Office Patent Trial Practice Guide*
 - “speaking objections” improper
 - objections must be stated concisely, non-argumentative
 - if requested, objecting attorney must give a clear and concise explanation or the objection is waived
 - See Case IPR2014-00344, Paper 27, granting 7 additional hours of deposition in view of dilatory and otherwise improper objections, and in view of excessively long declarations (two declarations each spanning over 300 pages)

Motion to Exclude

- A motion to exclude is not an appropriate vehicle for challenging the scope of a reply or supporting evidence.
[CBM2012-0002; IPR2013-00047; IPR2013-00052]
- Motion to exclude should go to the admissibility not weight of testimony
[IPR2013-00159]
- **GRANTED**
 - documents (including lab generated data) found to be hearsay not subject to business record exception
- **MOOT**
 - presenting party agrees (concede) that would not rely on evidence
 - Board does not rely on challenged evidence (a common occurrence)

Live Testimony

- Board does not envision that live testimony will be necessary at many oral arguments (*Office Trial Practice Guide* at 48768)
- Limited circumstances Board may permit cross-examination of witnesses in presence of Administrative Patent Judge (*Id.*)
- **GRANTED:** IPR2013-00203 *K-40 Electronics v. Escort*
 - importance of witness testimony to case (case dispositive?)
 - **fact witness** versus expert witness
 - limited to cross-examination and redirect
- **DENIED:** Patent Owner failed to provide sufficient reason why demeanor of Patent Owner's declarants is critical to assessing credibility

Settlement and Termination

- Pre-institution settlement
 - On its face, Sec. 317 applies only to instituted proceedings.
 - But the Board has terminated several cases in the pre-institution phase. See e.g., IPR2014-00959
 - The Board will still apply Rule 42.74 and require that any settlement agreement be filed with the Board.
- Post-institution
 - Strict application of requirement that settlement agreements be in writing; be filed with the Board; full copy; no redactions
 - The Board is NOT a party to the settlement and can, at its discretion, maintain an instituted proceeding against a patent owner.
 - There is at least one case where the parties secured full termination on the eve of the oral hearing. (IPR2012-00033)
 - But the Board has also continued proceedings against the patent owner, despite settlement. (IPR2013-00016 and -00036).

Final Written Decisions Statistics

Outcome	Count	Percentage
Final Written Decision Received	102	59.3%
Settled Post-Institution	38	22.1%
Institution Denied	19	11.0%
Settled Prior to Institution	7	4.1%
Request for Adverse Judgment	5	2.9%
Pending*	1	0.6%

* one case remains pending due to delay in related bankruptcy proceeding

Challenged Claims Cancelled in IPRs		
All	Some	None
70	22	16

Instituted Claims Cancelled in IPRs		
All	Some	None
76	16	16

73.5% instituted claims cancelled
66.2% challenged claims cancelled

Challenged Claims Cancelled in CBMs		
All	Some	None
9	3	0

Instituted Claims Cancelled in CBMs		
All	Some	None
11	1	0

98.9% instituted claims cancelled
97.8% challenged claims cancelled

Thank You

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