AIA Trials Before the PTAB – It’s Been Two Years Now. What Have We Learned?

Christopher L. McKee
# Post Grant Proceedings

<table>
<thead>
<tr>
<th></th>
<th>PGR</th>
<th>IPR</th>
<th>CBM</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Target patents</strong></td>
<td>AIA patents only</td>
<td>Any patent including those with EFD before Nov. 29, 1999</td>
<td>Any covered business method patent, including those with EFD before Nov. 29, 1999.</td>
</tr>
<tr>
<td><strong>Grounds</strong></td>
<td>101 (*PTO), 102, 103, and 112 (no best mode)</td>
<td>102 and 103 based on patents and printed publications only</td>
<td>101 (*PTO), 102, 103, and 112 (no best mode)</td>
</tr>
<tr>
<td><strong>When</strong></td>
<td>Within 9 months of patent grant</td>
<td>AIA patents: After 9 months (end of PGR), only within 1 year of civil action</td>
<td>AIA patents: After 9 months (end of PGR) Non-AIA patents: after issuance (Before Sept. 16, 2020)</td>
</tr>
<tr>
<td><strong>Who</strong></td>
<td>Any person not the patent owner</td>
<td>Any person not the patent owner</td>
<td>Any person sued or charged with infringement</td>
</tr>
</tbody>
</table>
PGR and IPR – Standards

• No presumption of validity in PGR and IPR proceedings.

• Broadest reasonable interpretation in claim construction (broader than district court).
  – Pending bill in Congress (HR 3309) would implement district court *Philips* standard in IPRs.

• Evidentiary standard is preponderance of the evidence (not clear and convincing)

• **What does this mean?** Easier for petitioner to prove invalidity and harder for patent owner to defend
AIA Petitions
(Cumulative Numbers as of August 7, 2014)

- Total: 1793
- IPR: 1585
- CBM: 201
- Derivation: 6
- PGR: 1
AIA Progress (as of September 4, 2014)

- AIA Monthly Filings

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>IPR</th>
<th>CBM</th>
<th>PGR</th>
<th>DER</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,962</td>
<td>1,742</td>
<td>212</td>
<td>2</td>
<td>6</td>
</tr>
</tbody>
</table>

![Bar chart showing monthly filings for different categories]
AIA Progress (as of September 4, 2014)

- AIA Petition Technology Breakdown

- Electrical/Computer (1,402)
- Mechanical (307)
- Chemical (133)
- Bio/Pharma (112)
- Design (8)
## AIA Progress (as of September 4, 2014)

### AIA Final Dispositions

<table>
<thead>
<tr>
<th></th>
<th>Settlements</th>
<th>Adverse Judgments</th>
<th>Final Written Decisions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IPR</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY13</td>
<td>38</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>FY14</td>
<td>160</td>
<td>35</td>
<td>112</td>
</tr>
<tr>
<td><strong>CBM</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY13</td>
<td>3</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>FY14</td>
<td>25</td>
<td>1</td>
<td>11</td>
</tr>
</tbody>
</table>
Inter Partes Review Petitions Terminated to Date (As of 4/2/2014)

167 Patents Petitioned

- 63 Patents Not Instituted
- 104 Patents Instituted
  - 76 Patents Settled / Dismissed / Request for Adverse Judgment
  - 28 Patents Reached Final Written Decisions
    - 19 Patents All Instituted Claims Unpatentable (11% of Total Patents Petitioned)
    - 9 Patents Some Instituted Claims Unpatentable (5% of Total Patents Petitioned)
Inter Partes Review Petitions Terminated to Date (As of 4/2/2014)

5,458 Claims in 167 Patents Petitioned

2,113 Claims Challenged (167 Patents) 3,345 Claims Not Challenged

1,277 Claims Instituted (60% of Claims Challenged) (104 Patents) 836 Claims Challenged but Not Instituted (40% of Claims Challenged)

327 Claims Found Unpatentable (26% of Claims Instituted, 15% of Claims Challenged) (28 Patents) 245 Claims Cancelled or Disclaimed (Non-PTAB) (19% of Claims Instituted, 12% of Claims Challenged)

705 Claims Patentable (55% of Claims Instituted, 33% of Claims Challenged)
IS AN IPR THE WAY TO GO FOR YOUR PATENT CHALLENGE?
IPRs – THIS AIN’T INTER PARTES REEXAMINATION!

• Adjudication, not examination
  – Federal Rules of Evidence generally apply
  – Motions practice

• Conducted before the PTAB, appeals directly to the Federal Circuit

• Final written decision within one year of institution

• Standard for institution is **reasonable likelihood of prevailing as to at least one challenged claim**

• High bar and limited opportunity for amending claims

• May be time barred (Section 315(b))
IPRs – THIS AIN’T DISTRICT COURT LITIGATION EITHER

- No presumption of validity
- No jury – technically trained patent judges
- Claims given their “broadest reasonable interpretation”
- “Trial” is conducted on paper
  - Final hearing is oral argument (based on record previously established)
- Very limited discovery

BOARD’S CHARGE: to provide “an efficient, streamlined, and cost-effective alternative to district court litigation”
IPRs – ESSENTIAL CHARACTERISTICS

- **Streamlined/Fast**
  - final written decision within 12 months of institution
- **Adjudicative, *inter partes***
- **Front end loaded**
- “trial” on paper
- Direct testimony presented only by declaration
- Cross-examination of declarants by deposition
- “Additional discovery” extremely limited
- Technically trained patent judges
- Distinctive motions practice (most require authorization)
  - request conference call with panel and opposing counsel
RULE 42.1(b) IS KING!

“This part shall be construed to secure the just, speedy, and inexpensive resolution of every proceeding”
A New Paradigm

District Court Patent Infringement Action

IPR

Stay
ESTOPPELS
PGR/CBM and IPR – Estoppel

- **PGR and IPR:** Any grounds of invalidity that “petitioner raised or reasonably could have raised” during the [the proceeding]” are estopped from being asserted in PTO, Court, and ITC
  - **CBM:** grounds raised (Court and ITC); raised or reasonably could have raised (PTO)

- Estoppel attaches upon **final written decision** from the Patent Trial and Appeals Board
  - Not after exhausting appeals

- IPR rather than PGR may avoid estoppel on 101, 112, and non-Patents and Printed Publications prior art
An inter partes review may not be instituted if, \textit{before} the date on which the petition for such review is filed, \textit{the petitioner or real party in interest} filed a civil action challenging the validity of a claim of the patent.
SECTION 315(b) BAR

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, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).
JOINDER – Section 315(c)

• Discretionary with Board
  – Request by motion within one month of institution of trial seeking to join (Rule 42.122)
  – **Impact on ongoing proceeding paramount**
    • “Board is charged with securing the just, speedy and inexpensive resolution of every proceeding” *Macronix Int’l Co., Ltd. v. Spansion LLC*, IPR2014-00898, Paper 15

• Why Seek?
  – Exception to Section 315(b) bar
  – Seat at the table
  – Settlement protection/leverage
  – District court stay
  – Efficiency
  – Timing/Estoppel impact (arising with final written decision)
JOINDER – FLAVORS

• Co-defendants
  – Identical petitions (same grounds/claims)
  – Different grounds/claims

• Same party, successive IPRs
  – Different grounds
  – Different claims
LITIGATION STAYS
Mandatory Litigation Stays -- Section 315(a)(2)

- **Automatic stay of:**
  - Civil action challenging the validity of a claim of the patent
  - Filed on or after the date petitioner files IPR petition

- **Until:**
  - PO moves court to lift the stay
  - PO files civil action or counterclaim alleging infringement by petitioner or real party in interest
  - Petitioner (or RPI) moves court to dismiss the civil action
Discretionary Litigation Stays – FACTORS:

- Simplify the issues in question and streamline the trial?
- Discovery complete and trial date set?
- Stay present undue prejudice to nonmoving party or present a clear tactical advantage for the moving party?
- Reduce the burden of litigation on the parties and the court?
  - Factors set forth in AIA §18(b)(2) (pertains to CBM review)
  - Applied in Fed. Cir.’s *Virtual Agility* decision
Discretionary Litigation Stays – FACTORS (more specific):

- **Timing**
  - Pre or post IPR institution?
    - Denial without prejudice
    - Wait to decide
  - Stage of litigation

- Claims, defenses or patents in suit unaffected by the IPR(s)?

- Litigation parties that would not be estopped by the IPR(s)?

- Prior unsuccessful petitions/patent challenges?

- PO’s own delay in bringing suit
Stays – Representative Decisions

Stay Granted


Stay Denied


- *CTP Innovations, LLC v. VG Reed and Sons, Inc.*, 3-14-cv-00364 (W.D. Ky. July 18, 2014)
Trial Timeline

- Petition Filed
- PO Preliminary Response
- Decision on Petition
- PO Response & Motion to Amend Claims
- Petitioner Reply to PO Response & Opposition to Amendment
- PO Reply to Opposition to Amendment
- Oral Hearing
- Final Written Decision

- 3 months
- No more than 3 months
- 3 months
- 3 months
- 1 month
- Hearing Set on Request
- PO Discovery Period
- Petitioner Discovery Period
- PO Discovery Period
- Period for Observations & Motions to Exclude Evidence

No more than 12 months
THE PETITION

The Petitioner’s One Shot
The Petition – Don’t Hold Back, and Better Make It Good!

- The Patent Owner’s Procedural Advantage

[Diagram]

- Petition (60pp)
- PO’s Preliminary Response (60pp)
- Institution Decision
- PO’s (full) Response (60pp)
- Petitioner’s Reply (15pp)
The Petition – Strategic Issues

• The Grounds – what and how many?
  – claims to be challenged?
  – prior art grounds to be asserted?

• The Evidence
  – Expert declaration?
    • Level of skill/knowledge in the art
    • Understanding of one skilled in the art
      – Prior art interpretation
      – Claim construction
    • Anticipation, obviousness
  – Proof of prior art publication?

• The Presentation
  – Claim charts or not?
  – Tutorial?
The Petition – Substantive Considerations

- **Petitioner’s Burden**
  - INSTITUTION (IPR): reasonable likelihood of prevailing as to at least one claim; “more likely than not” (PGR)
  - TRIAL: preponderance of the evidence

- **Claim Construction Standard:** Broadest Reasonable Interpretation
  - Claim terms presumed to have ordinary meaning in light of specification if no other claim construction presented.

- **Estoppel:** Any grounds of invalidity that “petitioner raised or reasonably could have raised” during the proceeding are estopped from being asserted in PTO, Court, and ITC
The Petition – Practical Constraints

- **PAGE LIMIT:** 60 pp, double spaced, 14pt font
  - Claim charts may be single spaced, but included in page count
  - No page limit on supporting declaration(s), but practical limits apply

- Redundancy of ground(s) as basis for denial

- No incorporation by reference
  - **NOTE:** excessive reliance on citations to supporting declaration may be considered improper incorporation by reference and lead to denial of petition (*Fidelity Nat’l Information Services, Inc. v. Datatreasury Corp.*, IPR2014-00491, Paper 9)
Redundant Grounds – An Extreme Case*

• “Petitioner asserts four hundred and twenty two (422) grounds of unpatentability over prior art on a unit claim basis thus averaging more than 21 grounds per claim.”

• “We take this opportunity to note that multiple grounds, which are presented in a redundant manner by a petitioner who makes no meaningful distinction between them, are contrary to the regulatory and statutory mandates, and therefore are not entitled to consideration.”

Redundant Grounds – Types

- **Horizontal**: “All of the myriad references relied on provide essentially the same teaching to meet the same claim limitation, and the associated arguments do not explain why one reference more closely satisfies the claim limitation at issue in some respects than another reference, and vice versa.” *Id.*

- **Vertical** (“plurality of prior art applied both in partial combination and in full combination”): “In the former case, fewer references than the entire combination are sufficient to render a claim obvious, and in the latter case the entire combination is relied on to render the same claim obvious. There must be an explanation of why the reliance in part may be the stronger assertion as applied in certain instances and why the reliance in whole may also be the stronger assertion in other instances.” *Id.*
The Petition – The Upshot

• Grounds Must Be Well Articulated and Fully Developed
  – **Anticipation**: not just that every element of the claim present, but that the elements are arranged as required by the claims
  – **Obviousness**: articulated reasoning with rational underpinning (**KSR**)
    • Why the asserted combination/modification would have been obvious
    • How the result of the combination/modification yields the invention as claimed
  – Gap filling unlikely: Board’s role is adjudication, not examination

• No Hold-back
  – Go with best and put it in up front in the petition
    • Only reply evidence and arguments permitted later
    • Rule 42.123 filing of supplemental information (requires motion)
  – Don’t sacrifice leading grounds for inclusion of lesser alternative grounds
THE PATENT OWNER’S PRELIMINARY RESPONSE

To File Or Not?
Preliminary Response

- PO’s opportunity to tell Board how Petition fails to assert a ground upon which Petitioner is likely to prevail (as to at least one claim)

- Board finds very helpful

- May help lead to reduced scope of trial if not its complete elimination

- No testimonial (declaration) evidence at this stage

- Elicit Board response on “preliminary” arguments

- Avoid reliance on grounds that raise fact issues
  - Invitation to institute trial
AIA Progress (as of September 4, 2014)

- Cumulative Patent Owner Preliminary Responses

<table>
<thead>
<tr>
<th></th>
<th>Filed</th>
<th>Waived</th>
</tr>
</thead>
<tbody>
<tr>
<td>IPR</td>
<td>972</td>
<td>250</td>
</tr>
<tr>
<td>CBM</td>
<td>147</td>
<td>18</td>
</tr>
</tbody>
</table>
THE INSTITUTION DECISION

• Sets forth:
  – Grounds upon which the trial will go forward (if any)
  – Rationale
    • Petition
    • Preliminary Response (if any)

• Due within 3 months:
  – Patent Owner Response
  – Motion to Amend (if any)

• Short time frames for:
  – Submission of supplemental information
  – Objections to evidence

• Scheduling Order, initial conference call
**AIA Progress** (as of September 4, 2014)

- **AIA Petition Dispositions**

<table>
<thead>
<tr>
<th></th>
<th>Trials Instituted</th>
<th>Joinders</th>
<th>Percent Instituted</th>
<th>Denials</th>
<th>Total No. of Decisions on Institution</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IPR</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY13</td>
<td>167</td>
<td>10⁺</td>
<td>87%</td>
<td>26</td>
<td>203</td>
</tr>
<tr>
<td>FY14</td>
<td>496</td>
<td>13⁺</td>
<td>76%</td>
<td>157</td>
<td>666</td>
</tr>
<tr>
<td><strong>CBM</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY13</td>
<td>14</td>
<td></td>
<td>82%</td>
<td>3</td>
<td>17</td>
</tr>
<tr>
<td>FY14</td>
<td>72</td>
<td>1⁺</td>
<td>74%</td>
<td>25</td>
<td>98</td>
</tr>
<tr>
<td><strong>DER</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY14</td>
<td>-</td>
<td></td>
<td>0%</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>
Institutions (As of 4/2/2014)

- CBM
  - Petitions Instituted: 52
  - Petitions Denied: 10

- IPR
  - Petitions Instituted: 416
  - Petitions Denied: 90
Institutions (As of 4/2/2014)

- Instituted Claims < Challenged Claims
- Instituted Claims = Challenged Claims

CBM

| Cumulative | 10 | 42 |

IPR

| Cumulative | 90 | 326 |
DISCOVERY

ROUTINE DISCOVERY

• No motion required
• Exhibits cited in a paper or in testimony
• Cross-examination of declarants
• “relevant information that is inconsistent with a position advanced by [a] party during the proceeding”

Rule 42.51(b)(1)

ADDITIONAL DISCOVERY

• Requires motion (and authorization to file)
• Absent agreement, “[t]he moving party must show that such additional discovery is in the interests of justice”

Rule 42.51(b)(2)
Additional Discovery Very Limited – “Necessary in the Interest of Justice”

The *Garmin* Constraints:

- “More Than A Possibility and Mere Allegation”
  - No speculative discovery or “fishing expeditions”

- “Litigation Positions and Underlying Basis” **not** in the interest of justice

- “Ability To Generate Equivalent Information By Other Means”

- “Easily Understandable Instructions”

- “Requests Not Overly Burdensome To Answer”
**Bottom Line On Additional Discovery**

Board unlikely to grant discovery beyond:

- Particular existing document(s)/info
- With demonstrated substantive value to a contention of a party
- Not otherwise reasonably obtainable
THE PATENT OWNER’S RESPONSE

The Patent Owner’s Second Shot
The Patent Owner’s Response

• Respond to Petition, but only as to grounds/claims on which trial was instituted

• Opportunity to address Board’s determinations in Institution Decision
  – Claim construction
  – Interpretation of prior art
  – Anticipation
  – Obviousness

• Rebuttal of Petitioner’s testimonial evidence (e.g., expert declaration)
  – Cross-examination of Petitioner’s declarant(s)
  – Rebuttal expert declaration
MOTIONS TO AMEND THE CLAIMS

Good Luck With That!
(only one granted so far)
Motions to Amend -- The High Bar and Strict Constraints of *Idle Free*

- **BURDEN IS ON PATENT OWNER TO PROVE PATENTABILITY OF AMENDED CLAIMS** **GENERALLY**
  - Prior art asserted in trial
  - Closest prior art known to patent owner
  - Feature known in any context
  - Ordinary creativity and skill set of one of ordinary skill in the art

- **Further Constraints:**
  - Must be responsive
  - No enlargement of scope
  - One for one substitution
  - Demonstrated support
  - 15 pp motion (including amended claim set)

SO WHAT MADE THE DIFFERENCE IN THE ONE SUCCESSFUL MOTION TO AMEND?*

- Unopposed
- Unpredictable art (insect repellent chemical composition)
- Evidence of unpredictability appears to have carried the day
  - References
  - Expert declaration
  - “The ordinary artisan would have expected that minor structural changes to a known insect repellent could result in a compound that no longer repels insects.”

- CONGRATULATIONS TO THE U.S. DEPARTMENT OF AGRICULTURE!

Other Options for Amending Claims

• Reissue

• Reexamination

• Continuation
Final Hearing

• Appellate style

• Confined strictly to record
  – Demonstratives and argument based on record evidence only
  – NOT an opportunity to make new arguments or present new evidence
    • Live witness (inventor) testimony allowed in one case* (re antedating a reference)
      – Limited to declaration testimony

• Prior:
  – Request hearing, specifying issues to be argued
  – Exchange demonstratives/objections, file
  – Request needed presentation equipment

Hearing Arguments and Evidence/Demonstratives

• “Nothing new can be presented, no new evidence, no new arguments.”

• If a party failed to previously develop or explain certain testimony, "it may not be developed, discussed, explained, or summarized, for the first time, in the form of demonstratives slides at the final oral hearing." *Id.*

• If a party previously argued that an object was red in its brief, it could not argue at the hearing that "red" covers a range of spectra, unless that contention was previously made. *Id.*
Federal Circuit Appeals from AIA Trial Proceedings

The Wave To Come
Federal Circuit Activity

- No decision yet on appeal from a Final Written Decision (FWD)

- Some Issues Raised In Pending Appeals:
  - Broadest reasonable interpretation (BRI) claim construction standard
  - Board’s high bar and restrictive practice wrt motions to amend
  - Section 315(b) bar privity and real party in interest
  - Appealability of Board institution decision (post FWD)
  - Standard for determining what constitutes a CBM patent
  - Assignor estoppel

- Relevant Federal Circuit Rulings (AIA trial related):
  - Reversal of denial of AIA § 18 stay of district court action pending CBM review (*VirtualAgility*)
  - Non-reviewability of Board decision to institute or not (pre FWD)
    - Mandamus, direct appeal, APA action