

The Interplay Between Litigation and Post Grant Trials at the PTO and Update on PTAB Practice

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Update on PTAB Practice and the Interplay Between District Court Litigation and Post-Grant Trials at the PTO

***New York State Bar Association
Annual Meeting 2018 – IP Section***

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Topics:



The basics – types of proceedings and highlights



Eye-opening statistics



Cases to Watch

Types of Proceedings

Inter Partes Reviews (“IPRs”)

Post-Grant Reviews (“PGRs”)

Covered Business Method Reviews

Derivation Proceedings

Interferences

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Eligibility and Bases

IPRs

- All patents eligible
- Only 102 and 103 based on patents and printed publications

PGRs

- Only first-inventor-to-file patents are eligible
- 101, 102, 103, 112 (except best mode)
- Note, having or ever having had at least one AIA claim renders the patent eligible for a PGR

CBMs

- All patents eligible; must be covered business method patent
- 101, 102, 103, 112 (except best mode and 102(e))
- Petitioner must be sued or charged with infringement

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Timing

IPRs

- **FTI:** After grant or reissue
- **FITF:** *later of:*
 - (a) 9 months after issuance or re-issuance; or
 - (b) termination of any PGR on the patent

PGRs

- Within 9 months of issuance or re-issuance

CBMs

- **FTI:** After grant or reissue
- **FITF:** *later of:*
 - (a) 9 months after issuance or re-issuance; or
 - (b) termination of any PGR on the patent

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Caveats

IPRs

- Cannot have challenged the validity of the patent in a civil action
- Must be filed within one year of service of any complaint for patent infringement

PGRs

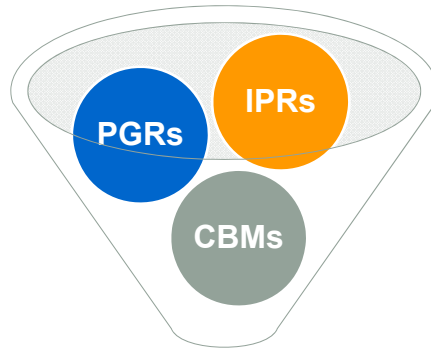
- Cannot have challenged the validity of the patent in a civil action

CBMs

- Must be sued or charged with infringement

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Petitioner Identity



**All real parties in interest
MUST be identified**

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Estoppel

IPRs

- Raised or reasonably could have raised

PGRs

- Raised or reasonably could have raised

CBMs

- Office: raised or reasonably could have raised
- Court: raised

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Federal Circuit on Estoppel

- The Federal Circuit has indicated that estoppel does not apply for grounds of challenge that are presented in a petition but **not** instituted.
- Thus, estoppel does not apply if institution is denied for all challenges, or institution is denied for only some of the challenges under the “redundancy doctrine.”
 - *Shaw Indus. Grp. v. Automated Creel Sys.*, 817 F.3d 1293, 1296 (Fed. Cir. 2016).

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Post-Grant Proceedings

Threshold Standards for Institution

IPR

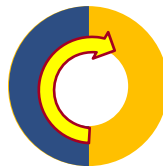
Petition must demonstrate a **reasonable likelihood** that petitioner would prevail as to at least one of the claims challenged

PGR/CBM

Petition must demonstrate that it is **more likely than not** that at least one of the claims challenged is unpatentable



IPR:
May encompass a
50/50
chance



PGR/CBM:
Greater than
50%
chance

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Burdens of Proof on Invalidity



PTAB

Preponderance of the Evidence
(Lighter Burden)

District Court/ITC

Clear and Convincing
(Heavier Burden)

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Fees and Petition Word Limits

□ IPRs:

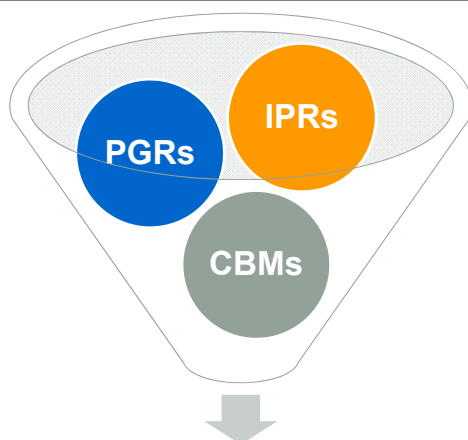
- **\$15,500** Petition fee for up to 20 claims
(each additional claim **\$300**)
- **\$15,000** Post-Institution fee for up to 15 claims [paid at filing]
(each additional claim **\$600**) (refundable)
- 14,000 words, double-spaced, 14-point Times New Roman font
(claim charts may be single-spaced)

□ PGRs and CBMs:

- **\$16,000** Petition fee for up to 20 claims
(each additional claim **\$375**)
- **\$22,000** Post-Institution fee for up to 15 claims [paid at filing]
(each additional claim **\$825**) (refundable)
- 18,700 words, double-spaced, 14-point Times New Roman font
(claims charts may be single-spaced)

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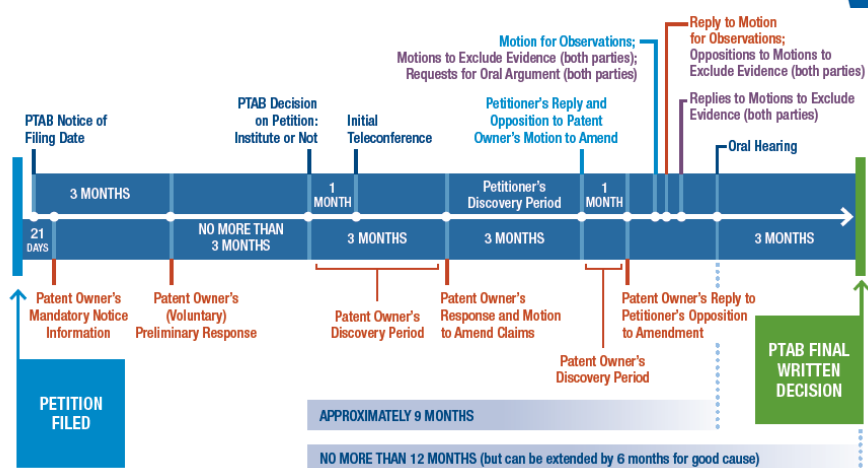
Claim Construction



Broadest Reasonable Construction
 (limited *Phillips*-type exception for patents expiring within 18 months)

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Timing



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Common Elements

- File open to the public, but can move to have document(s) kept under seal and protective orders can be entered
- AIA authorizes the PTO to set standards and procedures for taking discovery
 - Parties can agree to discovery
 - Mandatory initial disclosures
 - Routine discovery
 - Documents cited, cross-examination for submitted testimony, information inconsistent with positions advanced during the proceeding
 - Additional discovery
 - IPR: in the interests of justice
 - PGR: lower, good cause standard

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Common Elements

- **Sanctions**
 - Facts held to be established
 - Expunging a paper
 - Excluding evidence
 - Precluding a party from obtaining or opposing discovery
 - Compensatory expenses, including attorneys fees
 - Judgment or dismissal of Petition

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Common Elements

- **Settlement**

- Terminates the proceeding with respect to the Petitioner; the Board may terminate with respect to the Patentee [Board can step into the Petitioner's shoes]
- Board may terminate the proceeding or issue a final written decision

- **Final Decision**

- Will address the patentability of any claim challenged and any new claim added
- Appeal to the Federal Circuit

- **Requests for Rehearing**

- Within 14 days for non-final decision or decision to institute a trial; within 30 days of final decision or decision to *not* institute a trial

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Be Aware:

- ☐ **Patent Owner's Clock Is Ticking**

- **Within 21 days of service of the Petition**, need to file the mandatory notice (real party in interest, related matters, lead and backup counsel, service information) and powers of attorney

- ☐ **The Board may step into the shoes of the Petitioner**

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Discovery and Protective Orders

☐ **Protective Order**

- Default or custom?

☐ **Discovery**

- Specificity > General Request
- Cannot be overly burdensome
- Is there another way to get the information?

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Discovery and Protective Orders

☐ **Discovery**

- 5-Factor General Test*
 - (1) More than a possibility and mere allegation must exist that something useful might be found
 - (2) Is the request merely seeking early identification of opponent's litigation position?
 - (3) Can party requesting discovery generate the information?
 - (4) Interrogatories must be clear
 - (5) Are the requests overly burdensome to answer?

* *Garmin v. Cuozzo*, IPR2012-00001 (Paper No. 26)
(precedential)

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Disclaimer and Amending Claims

☐ **Disclaimer**

- Standard disclaimer. See *Facebook, Inc. v. Skky, LLC*, CBM2016-00091, Paper 12 (P.T.A.B. Sept. 28, 2017).

☐ **Amending Claims**

- First amendment authorized, but the rules require a pre-filing conference with the Board
 - ☐ “During an *inter partes* review . . . the patent owner may file 1 motion to amend the patent in 1 or more of the following ways: (A) Cancel any challenged patent claim. (B) For each challenged claim, propose a reasonable number of substitute claims.” 35 U.S.C. § 316(d)(1)
 - ☐ “A patent owner may file one motion to amend a patent, but only after conferring with the Board.” 37 C.F.R. § 42.121(a)

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Disclaimer and Amending Claims

☐ **Amending Claims**

- Generally, one-for-one substitution
- Must narrow scope
- Need to show patentable distinction
- Clearly state contingency of substitution
- Must be responsive to at least one ground of unpatentability involved in the trial. 37 C.F.R. §§ 42.121(a)(2), 42.221(a)(2).
- Additional motions to amend may be permitted to materially advance settlement or for good cause shown. See 35 U.S.C. § 316(d)(2), 37 C.F.R. § 42.121(c)

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Amending Claims – Lessons Learned

- **AIA trial is not a patent examination**
 - Board does not conduct a prior art search or enter rejections
 - If granted, the substitute claim is issued without any Office search or examination
 - No amendment of right, Patent Owner must move to amend
 - Federal Circuit recently held that Petitioner (challenger) has the burden to demonstrate unpatentability of amended claims. *Aqua Prods., Inc. v. Matal*, 2017 WL 439000 (Oct. 4, 2017).

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Amending Claims – Lessons Learned

- **The Board takes up a motion to amend only if the original claim is cancelled or found unpatentable**
 - No gloss of patentability transfers from the original claim to the substitute claim
 - Patent owner has initial burden to show that claims are patentable over instituted grounds of challenge, prior art of record in proceeding, and prior art known to patent owner.

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Amending Claims – Motions to Amend

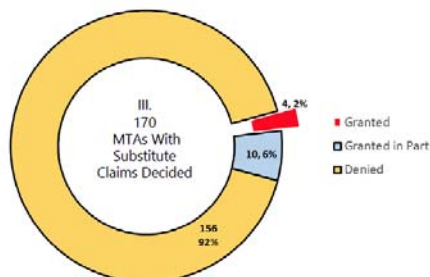
- **A Motion to amend is only 25 pages**
 - An inventory of each individual prior art reference is not likely practical
- **Provide substantive reasons why the proposed claim is narrower and valid over at least one or more grounds asserted in the Petition**
 - Focus on *why* adding the feature to the original claim would not have been obvious
 - Support that narrative with an expert declaration, citation to textbooks, or evidence of conventional practices relevant to the added feature

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Amending Claims – Motions to Amend

Graph III: Disposition of Motions to Amend

How Many Motions to Amend Substituting Claims Are Granted?



Data current as of: 9/30/2017

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Amending Claims – Motions to Amend

Table I: Reason for Denial of Motions to Amend

	Reason for Denying Entry	# of Motions	% of Motions
§102/103	Anticipated or Obvious Over Art of Record	67	40%
§102/103/ 112/316	Multiple Statutory Reasons *All included at least 102, 103, and/or 112 as a reason for denial	39	23%
§101	Non-Statutory Subject Matter	12	7%
§112	Written Description	10	6%
§112	Enablement	3	2%
§112	Definiteness	1	1%
§316	Claims Enlarge Scope of Patent	9	5%
§316	Unreasonable Number of Substitute Claims	3	2%
	Procedural Reasons	22	13%
	Total Motions to Amend Denied (in whole or in part)	166	100%

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Depositions, Exhibits, Demonstratives

- ☐ **Generally, 7 hours per declaration**
 - Agree with opposing counsel to format and timing
- ☐ **Exhibit numbering**
 - Common among multiple proceedings
- ☐ **Demonstratives**
 - No new evidence; no new arguments

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Stays and Timing

- ☐ **Whether to stay the infringement litigation is a fact-intensive inquiry**
 - Inform the district court if a Petition has been filed or there is an intent to file
 - District court will likely want to know
 - ☐ Whether all asserted claims are involved
 - ☐ Whether all codefendants have joined or will join the PTAB proceedings and, if not, whether they at least agree to be estopped
 - ☐ Whether the parties agree that a stay of the district court proceeding is in the interests of both parties

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Derivation Proceedings

- ☐ Derivation proceedings remain
 - Previously a subset of interference proceedings
- ☐ Owner of patent **A** (later filing date) may have relief against owner of patent **B**
 - If both **A** and **B** claim the same invention;
 - If the invention claimed in **B** was derived from the inventor of the invention claimed in **A**; and
 - If action filed within 1 year of issue of **B**
- ☐ District Court/Federal Circuit appeals
- ☐ Effective for applications containing a claim with an effective filing date *18 months* after enactment, *i.e.*, on or after March 16, 2013

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Derivation Proceedings

- WHO CAN INITIATE?
 - Inventor/Applicant
- QUALIFICATION?
 - Any patent having a claim with an *effective filing date* on or after March 16, 2013
 - Note, interference proceedings will still apply to patents having a claim with an effective filing date prior to March 16, 2013
- TIMING?
 - Within 1 year of publication of a claim to the derived invention
- GROUNDS FOR FILING?
 - Inventor of an earlier-filed application derived the claimed invention from petitioner (inventor of the later-filed application)
 - Declaration and supporting evidence are required

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Derivation Proceedings

- PETITION REQUIREMENTS
 - Petitioner must provide substantial evidence to support the allegations that the inventor named in an earlier application derived the claimed invention and must show:
 - (1) the petitioner's invention is the same or substantially the same and is not patentably distinct from the earlier applicant's invention;
 - (2) the invention was derived from the inventor on the petitioner's application;
 - (3) the earlier application was filed without the inventor's authorization; and
 - (4) the construction of the petitioner's claims accurately reflects the true invention.

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Derivation Proceedings

- ☐ PTO BRANCH
 - Patent Trial and Appeal Board (PTAB)
- ☐ IDENTIFICATION OF REAL PARTY IN INTEREST
 - All Real Parties in Interest must be identified
- ☐ PTO FILING FEES
 - \$400
- ☐ APPEALS COURT
 - District Court/Federal Circuit
- ☐ SETTLEMENT
 - Yes

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Interferences

- ☐ Prior to AIA, the U.S. was the only country to value who *invented* first, as opposed to who filed first
- ☐ Priority = First to invent
 - Generally, first party to reduce the invention to practice
 - But, can be earlier date of conception and later date of reduction to practice **if** coupled with reasonably diligent effort to reduce the invention to practice from just before the other party's date of conception until the reduction to practice
 - Party that is both first to conceive and first to reduce to practice is the "first to invent" and other party's diligence is irrelevant
 - Diligence only matters when a party is first to conceive and second to reduce to practice
- ☐ Mini-trial ["on paper"]/*inter partes* proceeding before the Board
- ☐ Federal Rules of Evidence generally apply
- ☐ Limited discovery

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Interferences

- ☐ The Board *shall* decide priority . . . *may* decide patentability
- ☐ Two Primary Phases
 - Motions phase
 - ☐ Motions on various patentability issues
 - Priority phase
 - ☐ Who invented first?
 - ☐ Do you have sufficient proof?
- ☐ Interferences are *not* dead yet!



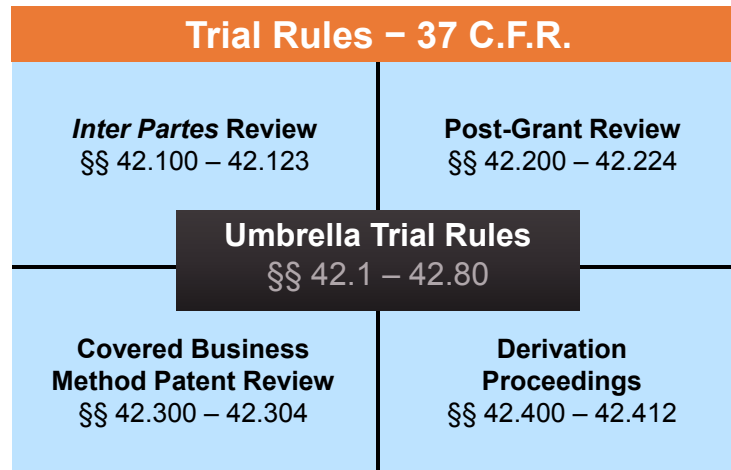
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Interferences

- ☐ Interferences Remain Relevant
 - 35 U.S.C. §§ 102(g), 135 and 291 Apply
 - ☐ To each claim of an application or patent
 - IF
 - ☐ Such application or patent contains or contained at *any* time:
 - A claim to an invention having an effective filing date prior to March 16, 2013
 - OR
 - A reference under 120, 121 or 365(c) to any patent or application that contains or contained at *any* time such a claim
- ☐ Be aware of 35 U.S.C. § 135(b)
 - One-year deadline to copy issued and published claims

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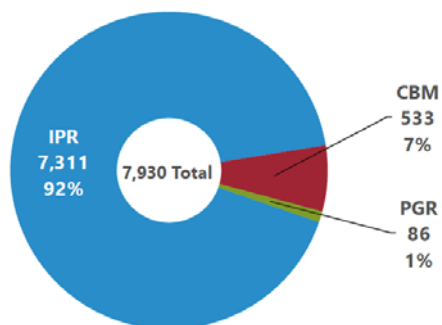
Post-Grant Proceedings



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Eye-Opening Statistics – PTAB

Petitions by Trial Type
 (All Time: 9/16/12 to 12/31/17)



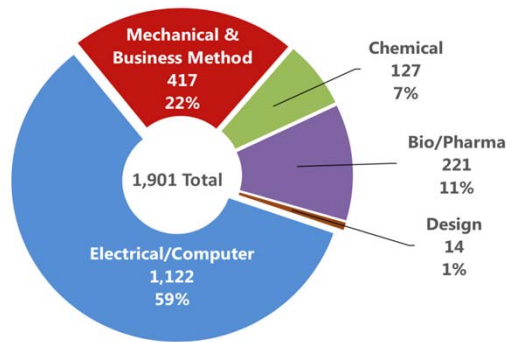
Trial types include Inter Partes Review (IPR), Post Grant Review (PGR), and Covered Business Method (CBM).

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Eye-Opening Statistics – PTAB

Petitions Filed by Technology in FY17 (FY17: 10/1/16 to 9/30/17)

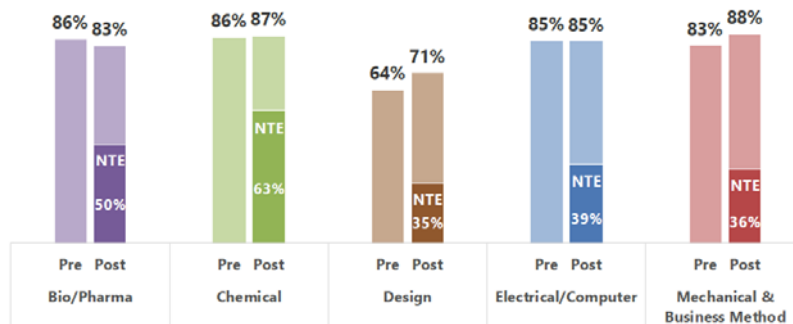


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Eye-Opening Statistics – PTAB

Preliminary Response Filing Rates Pre- and Post-Rule To Allow New Testimonial Evidence (NTE) (All Time: 9/16/12 to 12/31/17)



The rule to allow new testimonial evidence was effective May 2, 2016.

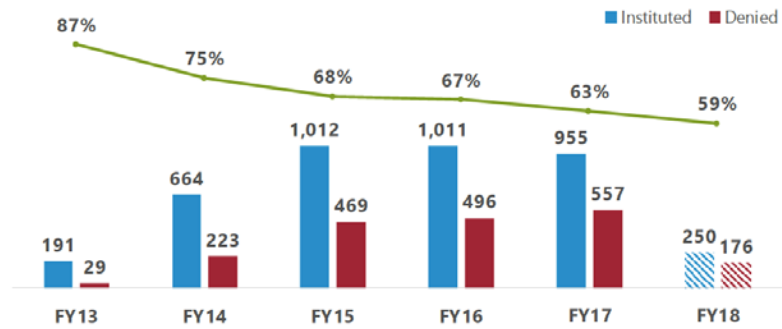
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Eye-Opening Statistics – PTAB

Institution Rates

(FY13 to FY18: 10/1/12 to 12/31/17)



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.

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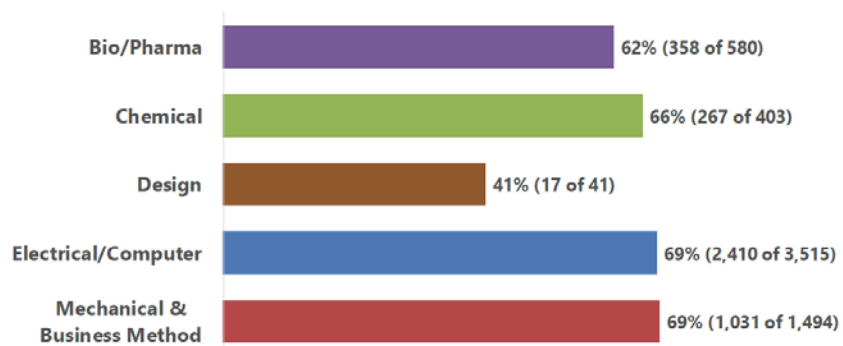
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Eye-Opening Statistics – PTAB

Institution Rates by Technology

(All Time: 9/16/12 to 12/31/17)



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.

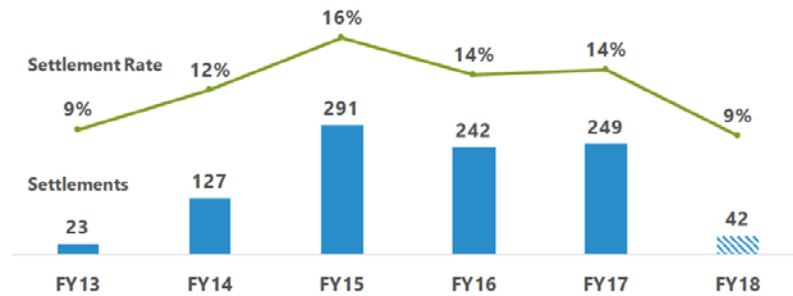
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Eye-Opening Statistics – PTAB

Pre-Institution Settlements (FY13 to FY18: 10/1/12 to 12/31/17)

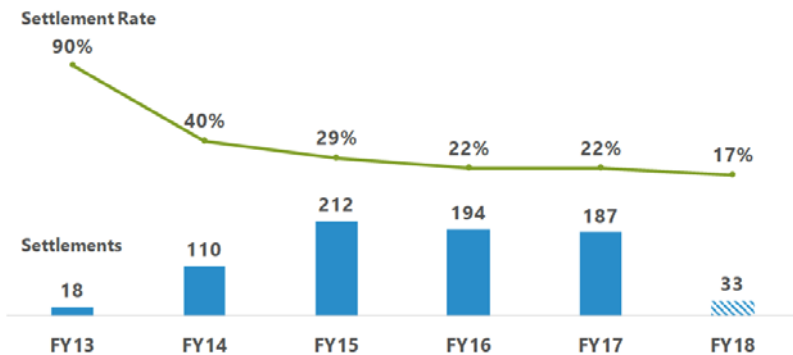


Settlement rate for each year is calculated by dividing pre-institution settlements by the sum of proceedings instituted, denied institution, dismissed, terminated with a request for adverse judgment, and settled before decision on institution.



Eye-Opening Statistics – PTAB

Post-Institution Settlements (FY13 to FY18: 10/1/12 to 12/31/17)



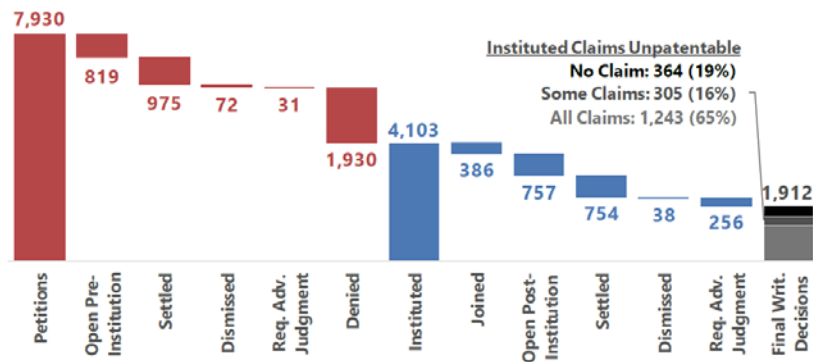
Settlement rate for each year is calculated by dividing post-institution settlements by proceedings terminated post-institution (i.e., settled, dismissed, terminated with a request for adverse judgment, and final written decision), excluding joined cases.



Eye-Opening Statistics – PTAB

Status of Petitions

(All Time: 9/16/12 to 12/31/17)



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.

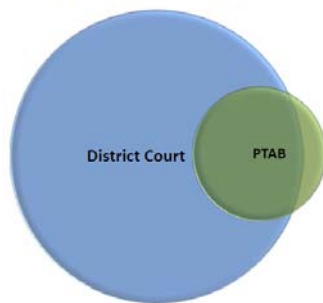
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Interplay with District Court Litigation

Jurisdiction of Patent Challenge



• Approximately 85% of IPRs in Fiscal Year 2017 have a co-pending district court case

• Less than a fifth of district court cases involve patents that are challenged in an IPR

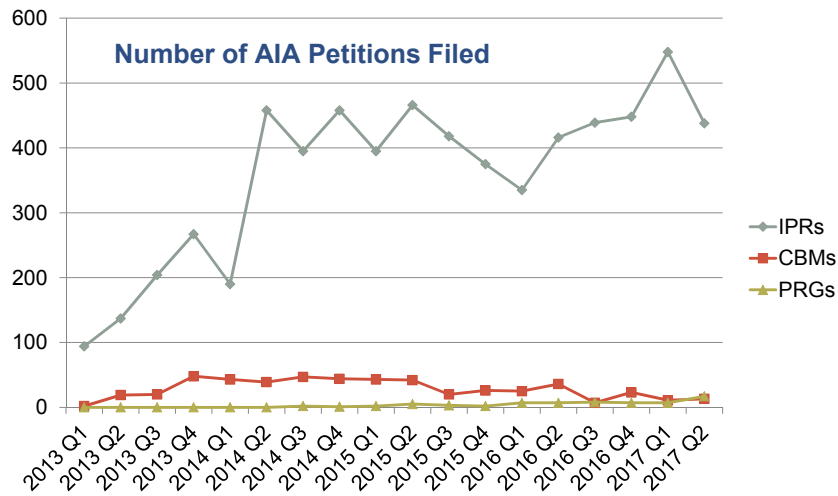
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Data sourced from Lex Machina PTAB Report 2017

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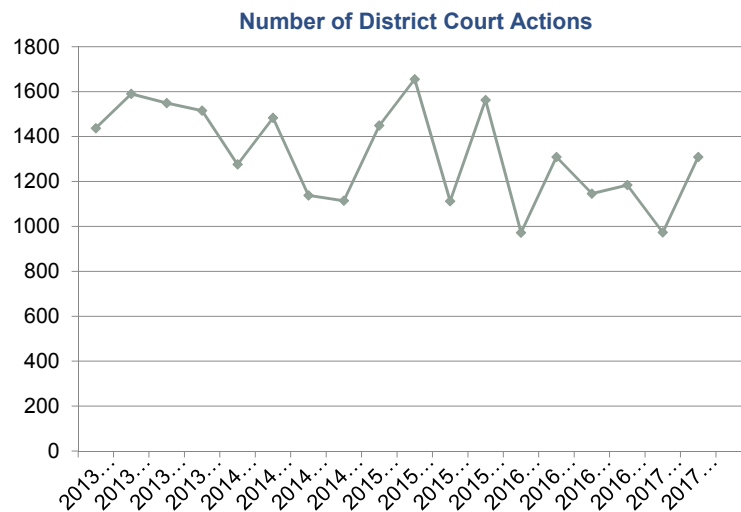
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Eye-Opening Statistics – PTAB



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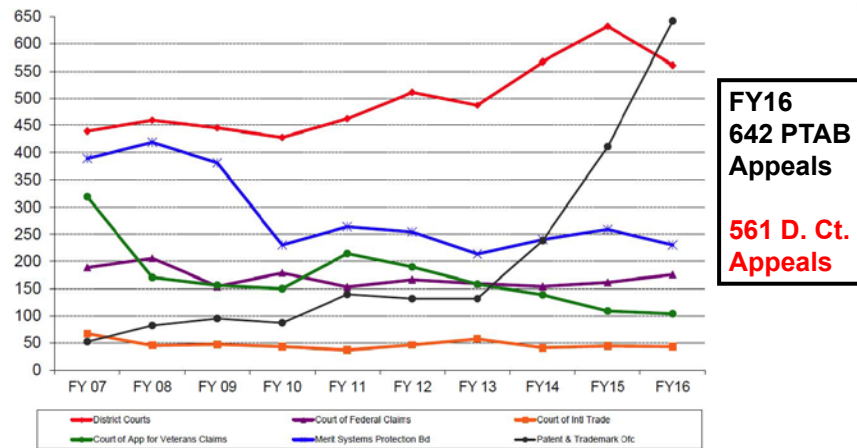
Eye-Opening Statistics – PTAB



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Eye-Opening Statistics – CAFC

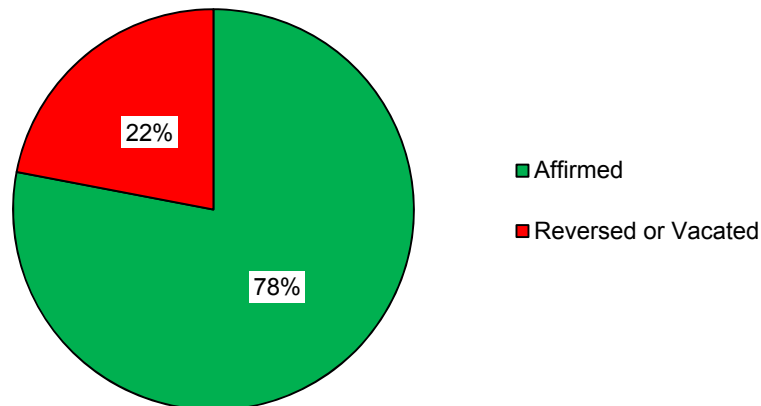
□ Origin of Appeals



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Eye-Opening Statistics – CAFC

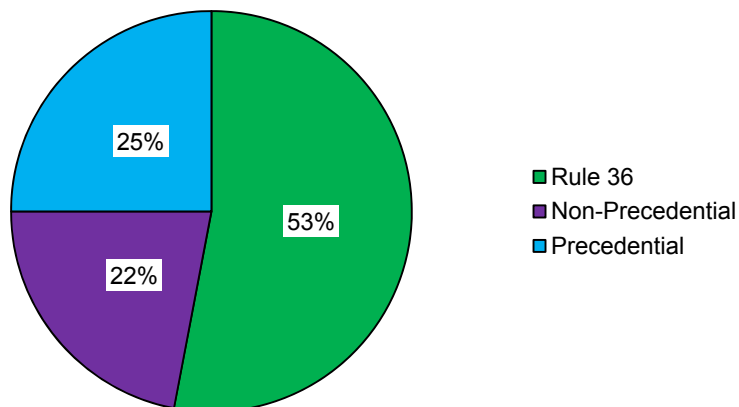
CAFC IPR Decisions



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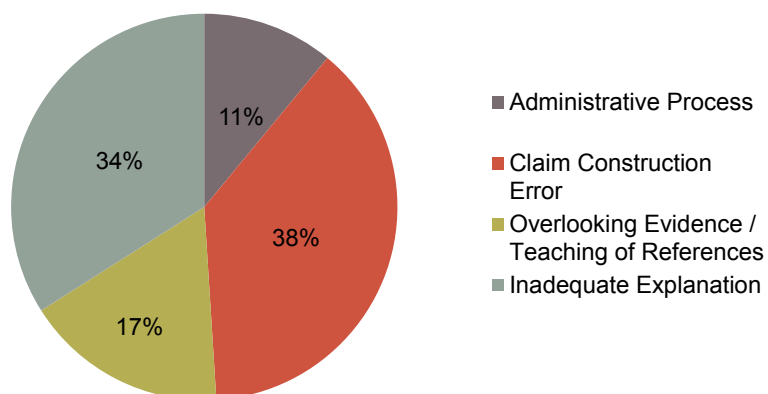
Eye-Opening Statistics – CAFC

CAFC IPR Opinion Type



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Reasons for Reversal/Vacatur of IPR Decisions



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Eye-Opening Statistics – CAFC

- Remands from the Federal Circuit
 - Average time from CAFC mandate to final written decision: 5.9 months
 - Outcome: 9 final written decisions issued after remand so far
 - Same outcome on remand (67%)
 - Opposite outcome on remand (22%)
 - Mixed result (11%)

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Cases to Watch

***Oil States Energy Servs., LLC v. Greene’s Energy Group, LLC*, 639 Fed. App’x 639 (Fed. Cir. 2016), cert. granted, 137 S. Ct. 2239 (2017) (Case No. 16-712)**

- *Certiorari* granted from a Rule 36 affirmance for a single question:
 - Whether *inter partes* review – an adversarial process used by the Patent and Trademark Office (PTO) to analyze the validity of existing patents – violates the Constitution by extinguishing private property rights through a non-Article III forum without a jury

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Cases to Watch

Oil States (continued)

- Affirmance will leave post-grant practice as currently structured
- Reversal and a determination of unconstitutionality will require a legislative fix, e.g., making PTAB judgment appealable to the district court as a civil action with the right to a jury trial

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Cases to Watch

***SAS Inst., Inc. v. Lee*, 825 F.3d 1341 (Fed. Cir. 2016), cert. granted, 137 S. Ct. 2160 (2017)**

Addresses the question whether the PTAB, once it has instituted an IPR, can consider less than all of the bases of invalidity raised in the petition

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