

## Articles

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### IPR Spotlight Series: Evaluating Whether to File a Preliminary Patent Owner Response

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*Inter partes review* (IPR) before the Patent Trial and Appeal Board (PTAB) became available on September 16, 2012 as a post-grant review procedure to challenge the patentability of issued claims based on prior art patents and publications. To help navigate the uncharted waters of this procedure, each edition of *IP Buzz- Post Grant Practice* will include an installment of our new *IPR Spotlight Series*, where we will feature a specific event on the **IPR timeline**, from filing the petition for IPR through oral hearing and final written decision. We will present an overview of the featured filing or procedure, along with practice tips and strategy informed by recent PTAB decisions, statistics, and practical experience. In our second IPR Spotlight installment, we focus on whether to file a patent owner preliminary response.

#### Part 2: Evaluating Whether to File a Preliminary Patent Owner Response

Once a petition for IPR has been filed, the patent owner has three options: (1) **file a preliminary response** to the petition within three months; (2) file no response and wait to see whether the PTAB will grant the petition and institute a trial; or (3) affirmatively waive filing the preliminary response. In the last year, 62% of patent owners filed preliminary responses, 17% did not file any response, and 21% affirmatively waived filing, showing **a marked rise in preliminary responses since 2013**. In spite of the 16% increase in patent owner preliminary responses, the percentage of PTAB trials instituted did not decrease commensurably, going down just 3%. These numbers suggest that filing a preliminary response does not necessarily improve your odds of success. Thus, determining whether to file a preliminary response should be a strategic decision, taking into consideration a number of competing factors discussed below.

#### Why a Patent Owner May Choose to File a Preliminary Response

There are a number of reasons a patent owner may consider filing a preliminary response:

- **To prevent institution:** The primary goal of a preliminary response is preventing institution, so it probably goes without saying that this is a reason to file one. Indeed, considering the high rate of claim cancellation once IPR is instituted, the preliminary response may be the patent owner's best shot at protecting the patent. Further, the PTAB's decision to institute the IPR is not appealable until the final decision is reached, which makes the preliminary response a patent owner's first and only chance to prevent institution of the IPR.
- **To get the last word:** The petitioner does not get to file a rebuttal to the preliminary response as a matter of right, meaning that the patent owner filing a preliminary response will get the last word before the PTAB decides whether to institute the IPR.
- **To pick the low-hanging fruit:** Ideally, a patent owner can use a preliminary response to knock out statutorily-barred petitions. For instance, if the petitioner files a declaratory judgment action challenging the validity of the patent at issue before seeking review, **the PTAB will not initiate IPR**. Similarly, the PTAB may not institute IPR if the petition is filed more than one year after the petitioner was served with a complaint alleging infringement of the patent. The petitioner may also be estopped from presenting certain invalidity arguments because it already raised these arguments in a previous proceeding.
- **To get out early:** Once a patent owner decides to file a preliminary response, the patent owner has up to 60 pages to present evidence that demonstrates that the PTAB should not institute IPR. There is no limit to the type of arguments that may be raised here, except that the patent owner cannot use new testimonial evidence, such as an expert declaration. However, the patent owner may point to evidence from other proceedings. Preliminary responses may argue that the petitioner's claim constructions were unreasonable, that cited references are not prior art, or that allegedly anticipatory

prior art lacks material claim limitations. Despite the fact that this response is characterized as "preliminary," a patent owner may benefit from delving into its substantive arguments early. For instance, in *Apple v. RPI and Dynamic Advances*, the patent owner filed a preliminary response that included opposing the petitioner's construction of the claim limitation "case information," and asserting that each of the primary references failed to meet that limitation.<sup>1</sup> The **PTAB denied institution**, adopting the patent owner's claim construction, and finding the cited references unlikely to render the challenged claims unpatentable.

### **Why a Patent Owner May Choose Not to File a Preliminary Response**

Filing a preliminary response is optional, and there are a number of reasons a patent owner may choose not to avail itself of the option:

- **To allow institution and trigger estoppel:** In order to get the benefit of estoppel, **trial must be instituted and reach final decision**. If the patent owner files a preliminary response and prevails, the PTAB will not institute IPR and the petitioner can still raise the same invalidity arguments again in related district court litigation or in another post-grant review proceeding. If the patent owner prevails *after* IPR has been instituted, then the petitioner will be estopped from raising invalidity arguments that it made or reasonably could have made during the IPR.
- **To buy time:** The patent owner is at an inherent disadvantage with regard to time, as the petitioner may have spent many months putting together a carefully crafted petition. In contrast, the patent owner has only three months to assemble and file a 60-page preliminary response. However, if the patent owner chooses not to file a preliminary response, it has up to nine months total to file the patent owner response and any motion to amend claims as part of the IPR, assuming the PTAB institutes the IPR (up to six months for the PTAB's institution decision, and an additional three months after institution to file the response and motion to amend). Similarly, if settlement before institution seems possible, a patent owner may want to buy additional time and not file any response while the parties negotiate settlement.
- **To keep the element of surprise:** The **preliminary response** is limited to "the reasons why no *inter partes* review should be instituted," and so a patent owner may choose to wait for the post-institution response to consolidate all of its responsive arguments rather than revealing only certain of its arguments. Similarly, the patent owner may need testimony, expert reports, or amendments to bolster its arguments, none of which are permitted in a preliminary response, and may wish to reserve them for when they can be presented most effectively. Further, the patent owner may not want to reveal its arguments to the petitioner yet, particularly if there has not yet been a claim construction ruling in the related district court litigation. Finally, a patent owner will not want the PTAB judges to be predisposed against its positions if trial is instituted.
- **To conserve resources:** Presumably, the PTAB will filter out weak or redundant challenges on its own, even without a preliminary response.

### **Why a Patent Owner May Choose to Affirmatively Waive Filing**

If timing is important and the patent owner wants to speed along the trial, affirmatively waiving the preliminary response will likely do that. In practice, the **PTAB on average issues a decision** on institution approximately 30 days earlier if the patent owner affirmatively waives filing the preliminary response than if a response is filed, and 50 days earlier than if the patent owner files no response at all.

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<sup>1</sup> IPR2014-00077, Paper 11 (Jan. 30, 2014).