

## Articles

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### 10 Reasons Every Defendant in Patent Litigation Should Consider *Inter Partes* Review

Numerous articles and practitioners are touting *inter partes* review (IPR) proceedings, and for good reason. Here is a quick breakdown of why these proceedings are considered pro-petitioner and why every patent infringement defendant should give IPR serious consideration.

- 1. Presumption of Validity Does Not Exist:** Unlike in district court, patents are not assumed to be valid at the Patent Trial and Appeal Board ("PTAB"). See 35 U.S.C. § 282 ("[a] patent shall be presumed valid"). In IPR, patentability of the claims is being challenged, rather than validity.
- 2. Burden for Finding Unpatentability is Lower:** The burden is lower for the petitioner to challenge patentability in front of the PTAB than for a defendant to challenge the patent's validity in district court. In district court, a defendant must prove invalidity by clear and convincing evidence. See *Microsoft Corp. v. i4i Partnership*, 131 S. Ct. 2238, 2242 (2011). In contrast, at the PTAB, the petitioner must prove unpatentability by a mere "preponderance of the evidence" standard. See 35 U.S.C. § 316(e).
- 3. Claim Construction is Broader:** The PTAB sets forth that claims will be granted their "broadest reasonable construction in light of the specification of the patent in which it appears." 37 C.F.R. § 42.100(b). This is broader than the "ordinary and customary meaning" to a person of ordinary skill in the art at the time of the invention, as applied at the district court under *Philips v. AWH Corp.*, 415 F.3d 1303, 1312-1313 (Fed. Cir. 2005). The broader the claim, the more likely prior art exists that will render the patent anticipated or obvious.
- 4. Time-Sensitive Ability to Terminate Pressures Settlement:** The petitioner and the patent owner can reach settlement and request that the PTAB terminate the IPR proceeding under 35 U.S.C. § 317. If the merits are yet to be decided, the PTAB must dismiss the petitioner from the proceeding, but retains discretion as to whether to dismiss the proceeding with respect to the patent owner. 37 C.F.R. 42.74 (a). When deciding whether to terminate, the PTAB primarily considers how far along the trial has proceeded. The longer the patent owner waits to settle, the greater the risk that the PTAB will not terminate the proceeding, and may cancel the claims despite a request to terminate. Petitioners can use this time crunch to pressure the patent owner into earlier settlement in order to save the patent from IPR.
- 5. Statistics Show the PTAB is Pro-Petitioner:** Approximately 80% of petitions for IPR have been granted for at least some of the challenged claims, with about 60% of all challenged claims being instituted. Further, a recent district court decision from the Eastern District of Virginia explicitly states that the USPTO's decision to institute an IPR trial cannot be overturned by a district court. See *Dominion Dealer Solutions LLC v. Focarino*, 3:13-cv-00699 (E.D. Va) (holding that the plain language of 35 U.S.C. § 314(d) is "quite clear" that the USPTO's decision to institute IPR is "final and nonappealable"). Once a petition is granted, the outcome highly favors the challenger. In approximately 70% of IPR trials, all instituted claims were canceled, and at least some of the instituted claims were canceled in the remaining 30% of cases. Out of the 40 final decisions issued so far, only one IPR proceeding has resulted in the PTAB finding all instituted claims patentable. See *ABB Inc. v. Roy-G-Biv Corp.*, IPR2013-00286, Paper 80 (April 11, 2014). However, it should be noted that these highly favorable outcomes for petitioners may have resulted in part from particularly strong cases being selected for the first IPR petitions. The recent uptick in IPR petition filing may indicate that petitioners are now bringing weaker cases, and could result in the PTAB finding a higher percentage of claims to be patentable.
- 6. The Patentee's Ability to Amend the Claims is Limited:** As IPR does not provide for claim amendments as a matter of right, a patent owner must move to amend its claims. See 35 U.S.C. § 316 (d). First, the PTAB must grant authorization to file a motion to amend. Second, the amendments are limited to cancellation of any challenged claim and a "reasonable number" of substitute claims. *Id.*, 37

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C.F.R. § 42.121. Third, a motion to amend is limited to 15 pages, which significantly limits the ability to amend. 37 C.F.R. § 42.24(a)(1)(v). Further, the PTAB has set a high bar for the patentee to prove patentability of the amended claims. Unlike initial patent examination or the old *inter partes* reexamination procedure, the PTAB does not examine the amended claims in IPR. Therefore, instead of merely having to overcome the references identified by the petitioner or the examiner, the patent owner in IPR has the burden to prove “general patentability over prior art” in order to amend. See *Idle Free v. Bergstrom*, IPR2012-00027 (Paper 26). A patentee cannot just show support in the specification for the newly proposed claims and argue that the limitations of the proposed claims were not taught or suggested by the petitioner’s identified prior art. Instead, in order to establish patentability of the proposed substitute claims, the PTAB has stated that a patentee must set forth the level of ordinary skill in the art and what was previously known in the art for each feature relied upon to show patentability. The patent owner must either affirmatively state that it was the first to have invented or developed that feature, or if not, where those features existed in other contexts and how they worked. See *Idle Free v. Bergstrom*, IPR2012-00027 (Paper 26). The burden to prove general patentability greatly limits a patentee’s ability to amend its claims. Nevertheless, Chief Administrative Patent Judge James Donald Smith at a PTAB roundtable discussion on April 15 hinted that an upcoming PTAB decision will provide guidance for patent owners to amend claims successfully.

7. Estoppel is Limited: Although a petitioner is estopped from rearguing the bases of invalidity argued (or that could have been argued) at the PTAB, estoppel does not reach all invalidity arguments. Only patents or publication prior art may be raised in IPR proceedings, and therefore a petitioner can only be estopped from arguing invalidity on those bases. A defendant could still raise other bases for invalidity in district court, such as non-patentable subject matter, statutory bars triggered by public use or sale, or lack of sufficient written description and enablement. Further, if the parties settle and the IPR trial is terminated with respect to the petitioner, estoppel does not attach to the petitioner. See 35 U.S.C. § 317(a). Similarly, if the USPTO decides not to institute the IPR trial, estoppel does not attach to the petitioner. See 35 U.S.C. § 315(e).

8. Timing is Generally Faster: Median time to trial in district court is around 2.5 years, with significant variations across jurisdictions. **PricewaterhouseCoopers LLP 2013 Patent Litigation Study**. In comparison, IPR trials are instituted within six months after the petition is filed (37 C.F.R. § 42.107(b); 35 U.S.C. §314(b)), and the PTAB must come to a final determination within one year of institution, with a possible six-month extension for good cause. 35 U.S.C. § 316(a)(11).

9. It Could Save Money: Initiating a proceeding at the PTAB costs \$9,000 to petition, plus a fee of \$200 for each claim over 20. Once initiated, there is an additional \$14,000 fee, plus a fee of \$400 for each claim over 15. From there, the fees to take a PTAB proceeding through completion generally range from \$200,000 - \$750,000. In contrast, a patent lawsuit costs an average of \$530,000 - \$3.6 million through the end of discovery, and \$970,000 - \$5.9 million through final disposition. **AIPLA Report of the Economic Survey (2013)**. In part, this may be because district court litigation typically involves increased discovery costs, hearings and additional issues, including infringement, which is not determined at a PTAB proceeding. However, if the litigation is not stayed, you may not save that money as IPR and district court litigation may be forced to proceed concurrently.

10. PTAB Has Technical Expertise: In contrast with most district court judges and juries, the PTAB is staffed with experienced patent attorneys with technical backgrounds. Familiarity with patent law and greater technical understanding favors petitioners, particularly where the technology or aspects of patent law at issue are complex.