

Sept Oct Nov Dec

Jan Feb Mar Apr

ONE YEAR LATER

Observations from the first year of contested proceedings at the USPTO

September 16, 2013



May June July Aug

The America Invents Act

September 16, 2013 marks the one-year anniversary of the implementation of the America Invents Act, and with it, Covered Business Method (CBM) and *Inter Partes* Review (IPR) proceedings. To date, the Patent Trial and Appeal Board (PTAB) has received 482 petitions for IPR and 53 petitions for CBM. With a number of decisions already reached and many other cases progressing through the various stages of trial, we now have some insights into how the PTAB will conduct these new proceedings.

A Just, Speedy, and Inexpensive Resolution

When creating the rules for contested proceedings under the America Invents Act, the United States Patent and Trademark Office (PTO) recognized the need for a just, speedy, and inexpensive resolution of every proceeding. That recognition, set forth in Rule 42.1 (b), explicitly undergirds the PTO's construction of its rules. In exercising its judgment, the PTO explicitly and frequently relies on this rule. Parties must keep the PTAB's expressed need at the forefront when seeking all manner of relief, from joinder to additional discovery.

482 IPRs
+ 53 CBMs

535 proceedings filed
since September 2012

Graduated Implementation

In fiscal year 2013, which began October 1, 2012, 465 IPRs and 45 CBM reviews were filed. By statute, the PTO has the option of Graduated Implementation, which would place a limit on the number of IPRs that can be instituted in a fiscal year. The limit was derived from the number of *inter partes* reexaminations filed in the full fiscal year before the AIA was implemented, which numbered approximately 280. Though IPR filings have clearly exceeded that number, Director Kappos suggested he did not expect to limit the number of filings through Graduated Implementation. With Director Kappos now departed, the PTO may reconsider this option and begin placing a limit on the number of IPRs that can be filed, given the pace thus far. Potential petitioners should not discount that possibility.

~80% of IPRs that have been filed
are related to co-pending litigation,
while **100%** of CBM reviews
have co-pending litigation.

Considerations When Filing Petitions

Claim construction plays a major role in institution decisions. The pre-institution phase can almost be considered a mini-*Markman* proceeding. As a petitioner, carefully consider claim construction positions and explain them in the petition. A patent owner should be sure to address claim construction in the initial response.

Petitioners should also be sensitive to cumulative grounds of rejection. With *inter partes* reexamination, the trend was to include every ground of rejection that could possibly be considered, and the PTO showed little constraint in adopting rejections. However, the PTAB does not want to see that trend repeated in IPRs. It strongly prefers choosing the best rejections and explaining them fully, rather than piling on numerous, poorly-supported cumulative rejections. In many cases, the PTAB has considered cumulative rejections moot and refuses to address them at trial.

Additionally, the PTAB will not fill in missing information for a petitioner. For example, if the *Graham* factors are not addressed when presenting obviousness, that will be considered a deficiency. The petition must be substantively complete for trial to be instituted.

Scheduling Orders

Although the PTAB has a full three months from the filing of a Patent Owner Preliminary Response to institute trial, they rarely use the full allotted time. Some trial decisions have been reached in as few as six weeks. Additionally, the PTAB is setting deadlines shorter than three months for both the patent owner's petitioner's discovery periods, even though the Trial Practice Guide recommends three month discovery periods. In keeping with the mandate for speedy completion, the PTAB is setting shorter deadlines to ensure a decision can be reached within a year. The shorter initial deadlines also allow some flexibility for the parties to adjust early deadlines to accommodate depositions, for instance.

Specifically, the Scheduling Order gives a number of due dates that set the course of the trial. The Order will also explicitly indicate the due dates that can be extended by agreement of the two parties, and those that are firm. In instances where both parties agreed to move a flexible due date, the PTAB has accepted those changes without question.

Motions to Amend

Parties on both sides are beginning to feel their way around the boundaries of some of the trickier rules. The Motion to Amend is one such example. This Motion is typically contingent on the rest of the proceeding, meaning the PTAB will not consider a Motion to Amend unless the patent owner is unsuccessful in defending the original claim, or chooses not to defend an original claim. Decisions on Motions to Amend are not given until the final written decisions are complete.

A patent owner may file a Motion to Amend a patent, but only after conferring with the PTAB. The Motion may cancel or propose a reasonable number of substitute claims. The PTAB has issued a decision in the *Idle Free Systems, Inc. v. Bergstrom, Inc.* IPR (IPR2012-00027) that provides

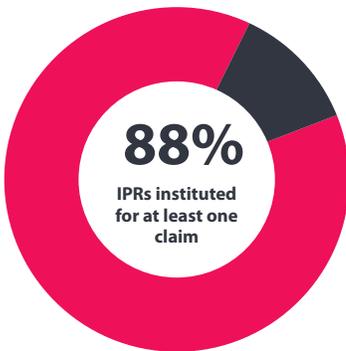
perhaps the best guidance to date on Motions to Amend. As explained in this decision, a challenged claim can be replaced by only one substitute claim "in the absence of special circumstances." So far, the PTAB has not accepted any "special circumstances" allowing for more than one substitute claim.

Trial Institution

IPRs and CBM reviews have different standards for instituting a trial. In an IPR, there must be "a reasonable likelihood" that at least one of the claims challenged is unpatentable. A covered business method review must show that the claim is "more likely than not" unpatentable.

The scope of allowable amendments is much narrower than in reexamination practice. For example, if a patent owner proposes a substitute claim, it cannot strike out subject matter and add different subject matter. The substitute claim must be the original claim plus an additional limitation that narrows the scope of the claim.

The burden rests on the patent owner to establish patentability of proposed substitute claims. The patent owner must present arguments sufficient to persuade the PTAB that the proposed substitute claim is patentable over the prior art of record, as well as over prior art not of record, but known to the patent owner. A mere conclusory paragraph stating that the claim is patentable over all prior art is not sufficient; evidence must be provided.



Decisions have been reached in

176 IPRs and

15 CBMs

The higher institution rate of IPRs may explain the steady rise in the number of filings; people are more confident that IPRs will be instituted by the PTAB.



(DISCOVERY)

Motions to Seal

Any submission of confidential material must be accompanied by a Motion to Seal. However, the PTAB has a statutory mandate that states "the file of any proceeding ... shall be made available to the public" (Sec. 316(a)(1)). Upon receipt of a Motion to Seal, the PTAB will therefore weigh the public interest in open proceedings versus the need to keep a document secret. If the Motion is not granted, the parties will have the opportunity to redact information from the documents or to expunge the documents from the record. Even if submitted under seal, papers will be made public 45 days after termination of the trial unless there is a Motion to Expunge (Rule 56; 77 Fed. Reg. 48612, 48623). Therefore, parties should plan ahead if they have confidential documents, and understand it is not guaranteed that they can be kept secret.

Motions for Additional Discovery

The discovery period is very limited. Parties may agree to additional discovery between themselves, in addition to what is set forth by the case. However, we've seen only a handful of Motions for Additional Discovery. In IPR cases, the parties must show that additional discovery is in the "interest of justice" (§ 42.51(b)(2)). In post-grant review cases, the parties only have to show good cause, and are limited to evidence directly related to factual assertions by either party in the proceeding.

The results of several Motions for Additional Discovery give some insight into what the PTAB considers acceptable. For example, in IPR2013-00053, a motion was granted to retrieve lab notebooks, documents, and underlying data obtained during testing. In IPR2013-00038, an attempt to find the real party-in-interest by requesting copies of all joint defense agreements in related litigation was denied.

Protective Orders

The PTAB has provided a default Protective Order in the Trial Practice Guide. It is best to use it, as any deviation from the default Order must be explained to and accepted by the PTAB. The parties should negotiate the Protective Order and present it as joint submission. A Protective Order from another proceeding will not suffice.

Evidentiary Objections

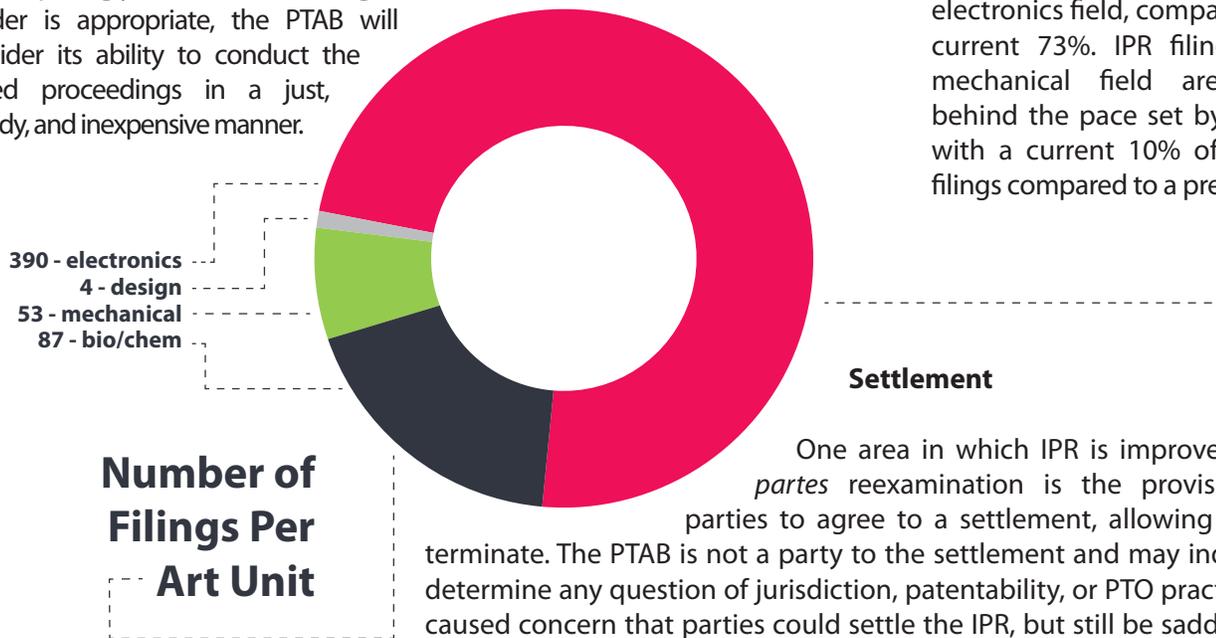
Either party has 10 business days after trial institution to object to any evidence that was submitted over the course of the pre-trial proceedings. For every submission thereafter, the party has five business days to serve the opposing party with an evidentiary objection. The objections act as a placeholder for a party to file a motion to exclude evidence later in the trial. To file a Motion to Exclude, a party must have lodged an objection when the evidence was first submitted. Consider carefully the pros and cons of lodging evidentiary objections, as presented by IPR2013-00082. In this case, the patent owner lodged many broad objections after the evidence was submitted. In response, the petitioner submitted supplemental evidence, three additional declarations, and 40-50 additional documents. The patent owner then filed a Motion to Expunge the new evidence. As a result, the PTAB took both parties to task for their abuse of the discovery process. They stated that the patent owner was originally at fault for filing overly broad objections so the new evidence would not be expunged. They also ruled that the petitioner's additional evidence might not be relevant, and if not, it could not be relied upon in later arguments. So when lodging an evidentiary objection, parties should very carefully consider the scope of their objections.

Joinder

The Joinder exception seems to be applied very broadly at first. Consider two scenarios where the exception has come into play. In the first scenario, Petitioner 1 files an IPR. The one-year deadline after service of District Court complaint (§315) passes and the PTAB institutes trial. In view of the trial decision, the same petitioner files a second IPR with a Joinder Motion one month later. This has been permitted in at least one case where joinder was not opposed, and potentially allows serial IPR petitions on the same patent even after the one-year Section 315 bar has passed.

In the second scenario, Petitioner 1 files an IPR. Petitioner 2, who is a co-defendant with Petitioner 1 in a co-pending litigation, is already past the one-year deadline. The deadline starts at service of District Court complaint, and service dates between co-defendants can differ. If Petitioner 1 filed the IPR before the deadline, all co-defendants, even if they are past the one-year deadline, can then file a second IPR on the same patent with a Joinder request. Not surprisingly, when determining whether joinder is appropriate, the PTAB will consider its ability to conduct the joined proceedings in a just, speedy, and inexpensive manner.

These numbers are fairly consistent with IPR's predecessor, *inter partes* reexamination. Typical yearly filings of *inter partes* reexam showed around 50% in the electronics field, compared with a current 73%. IPR filings in the mechanical field are lagging behind the pace set by reexams, with a current 10% of the total filings compared to a previous 29%.



Settlement

One area in which IPR is improved over *inter partes* reexamination is the provision for the parties to agree to a settlement, allowing the case to terminate. The PTAB is not a party to the settlement and may independently determine any question of jurisdiction, patentability, or PTO practice. This has caused concern that parties could settle the IPR, but still be saddled with the proceeding. According to the rules, this will only happen if the PTO has decided the merits of the proceeding before the request for termination is filed (§317). The earlier the settlement is reached, the more likely the case will be terminated. If the parties wait until after the Oral Hearing, for example, the PTAB may have already decided the merits of the proceeding and the case may not be terminated. To date, 23 settlements have been reached and no case has been continued by the PTAB after settlement.

A party to a settlement may request that the settlement be treated as business confidential information and be kept separate from the files of an involved patent or application (§42.74(c)). Be aware that this does not ensure that no one will be able to see your agreement; settlement documents are available to some parties. For example, a governmental agency may make a written request to the PTAB to see the settlement agreement. It is unclear whether the parties will be notified in this situation. Additionally, any other person who can show good cause can see the settlement agreement.

Patent Office Litigation at Sterne Kessler

The Sterne, Kessler, Goldstein & Fox team invested countless hours digesting and analyzing what the AIA means to the practice of patent law and the implications for protecting and enforcing intellectual property rights. In the months following its passage, we've handled more than 40 contested proceedings before the Patent Trial and Appeal Board, making us a leading firm in the realm of post-grant proceedings.

“
Sterne Kessler is
**a leader in the increasingly significant realm
of post-grant review procedures at the USPTO**
”
- *Managing Intellectual Property Magazine*

Why Choose Sterne Kessler?

- In total, our attorneys and specialists have 105+ advanced technical degrees
- To date, we have handled 40+ *inter partes* review proceedings for both petitioners and patent owners
- We have 400+ reexaminations under our belt
- We draw on experience from 50+ interference proceedings
- Our attorneys have the technical skills to deconstruct patents for challenge or defense
- With a number of former patent examiners and trial lawyers on our team, we have a strong understanding of the USPTO and PTAB
- We have significant foreign opposition experience
- Our interdisciplinary teams merge technical, USPTO and District Court trial experience

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MIND + MUSCLE